UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **July 2, 2022**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _ to _

Commission file number: **001-40358**

LATHAM GROUP, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**83-2797583**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
787 Watervliet Shaker Road, Latham, NY	**12110**
(Address of principal executive offices)	(Zip Code)

(800) 833-3800

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	**SWIM**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filers	☐	Accelerated filers	☐	Non-accelerated filers	☒	Smaller reporting company	☐	Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 9, 2022, 117,121,134 shares of the registrant's common stock, $0.0001 par value were outstanding.

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Latham Group, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	July 2, 2022	December 31, 2021
Assets		
Current assets:		
Cash	$ 25,220	$ 43,952
Trade receivables, net	104,704	60,753
Inventories, net	161,919	109,556
Income tax receivable	5,388	4,039
Prepaid expenses and other current assets	9,888	10,766
Total current assets	307,119	229,066
Property and equipment, net	74,831	63,506
Equity method investment	24,624	23,362
Deferred tax assets	9,796	10,603
Operating lease right-of-use assets	35,470	—
Goodwill	128,628	128,871
Intangible assets, net	323,024	338,310
Other assets	5,728	765
Total assets	$ 909,220	$ 794,483
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 53,830	$ 37,998
Accounts payable – related party	900	850
Current maturities of long-term debt	3,250	17,220
Current operating lease liabilities	6,641	—
Accrued expenses and other current liabilities	59,849	59,097
Total current liabilities	124,470	115,165
Long-term debt, net of discount, debt issuance costs and current portion	310,471	263,188
Deferred income tax liabilities, net	56,343	56,343
Liability for uncertain tax positions	5,790	5,689
Non-current operating lease liabilities	29,550	—
Other long-term liabilities	685	453
Total liabilities	527,309	440,838
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 100,000,000 shares authorized as of both July 2, 2022 and December 31, 2021; no shares issued and outstanding as of both July 2, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 900,000,000 shares authorized as of July 2, 2022 and December 31, 2021; 117,547,558 and 119,445,611 shares issued and outstanding, as of July 2, 2022 and December 31, 2021, respectively	12	12
Additional paid-in capital	431,637	401,846
Accumulated deficit	(47,411)	(48,583)
Accumulated other comprehensive (loss) income	(2,327)	370
Total stockholders' equity	381,911	353,645
Total liabilities and stockholders' equity	$ 909,220	$ 794,483

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Latham Group, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net sales	$ 206,800	$ 180,889	$ 398,414	$ 329,635
Cost of sales	139,193	122,534	260,153	218,840
Gross profit	67,607	58,355	138,261	110,795
Selling, general and administrative expense	41,804	95,288	87,029	122,460
Underwriting fees related to offering of common stock	—	—	11,437	—
Amortization	7,156	5,479	14,348	11,074
Income (loss) from operations	18,647	(42,412)	25,447	(22,739)
Other expense (income):				
Interest expense	3,164	7,516	4,929	16,572
Loss on extinguishment of debt	—	—	3,465	—
Other expense (income), net	917	(794)	562	(1,349)
Total other expense, net	4,081	6,722	8,956	15,223
Earnings from equity method investment	720	754	1,262	998
Income (loss) before income taxes	15,286	(48,380)	17,753	(36,964)
Income tax expense	10,983	5,218	16,290	8,101
Net income (loss)	$ 4,303	$ (53,598)	$ 1,463	$ (45,065)
Net income (loss) per share attributable to common stockholders:				
Basic	$ 0.04	$ (0.49)	$ 0.01	$ (0.41)
Diluted	$ 0.04	$ (0.49)	$ 0.01	$ (0.41)
Weighted-average common shares outstanding – basic and diluted				
Basic	113,692,160	109,163,698	113,695,354	109,115,991
Diluted	115,384,273	109,163,698	115,698,368	109,115,991

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Latham Group, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income (loss)	$ 4,303	$ (53,598)	$ 1,463	$ (45,065)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(3,917)	164	(2,697)	(1,037)
Total other comprehensive (loss) income, net of tax	(3,917)	164	(2,697)	(1,037)
Comprehensive income (loss)	$ 386	$ (53,434)	$ (1,234)	$ (46,102)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Latham Group, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at December 31, 2020	118,854,249	$ 12	$ 265,478	$ 13,765	$ 2,354	$ 281,609
Net income	—	—	—	8,533	—	8,533
Foreign currency translation adjustments	—	—	—	—	(1,201)	(1,201)
Dividend to Class A unitholders ($1.00 per share)	—	—	(110,033)	—	—	(110,033)
Repurchase and retirement of common stock	(21,666,653)	(2)	(64,936)	—	—	(64,938)
Stock-based compensation expense	—	—	1,464	—	—	1,464
Balances at April 3, 2021	97,187,596	$ 10	$ 91,973	$ 22,298	$ 1,153	$ 115,434
Net loss	—	—	—	(53,598)	—	(53,598)
Foreign currency translation adjustments	—	—	—	—	164	164
Net proceeds from initial public offering	23,000,000	2	399,262	—	—	399,264
Repurchase and retirement of common stock	(12,264,438)	(1)	(216,699)	—	—	(216,700)
Issuance of restricted stock in connection with the Reorganization	8,340,126	1	(1)	—	—	—
Issuance of common stock upon conversion of Class B units	4,145,987	—	—	—	—	—
Stock-based compensation expense	—	—	75,511	—	—	75,511
Balances at July 3, 2021	120,409,271	$ 12	$ 350,046	$ (31,300)	$ 1,317	$ 320,075

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Latham Group, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at December 31, 2021	119,445,611	$ 12	$ 401,846	$ (48,583)	$ 370	$ 353,645
Cumulative effect of adoption of new accounting standard- leases	—	—	—	(291)	—	(291)
Net loss	—	—	—	(2,840)	—	(2,840)
Foreign currency translation adjustments	—	—	—	—	1,220	1,220
Sale of common stock	13,800,000	1	269,099	—	—	269,100
Repurchase and retirement of common stock	(13,800,244)	(1)	(257,662)	—	—	(257,663)
Retirement of restricted stock	(53,961)	—	—	—	—	—
Issuance of common stock upon release of restricted stock units	78,341	—	—	—	—	—
Stock-based compensation expense	—	—	16,925	—	—	16,925
Balances at April 2, 2022	119,469,747	$ 12	$ 430,208	$ (51,714)	$ 1,590	$ 380,096
Net income	—	—	—	4,303	—	4,303
Foreign currency translation adjustments	—	—	—	—	(3,917)	(3,917)
Repurchases and retirements of common stock under repurchase program	(2,026,231)	—	(15,000)	—	—	(15,000)
Issuance of common stock upon release of restricted stock units	104,042	—	—	—	—	—
Stock-based compensation expense	—	—	16,429	—	—	16,429
Balances at July 2, 2022	117,547,558	$ 12	$ 431,637	$ (47,411)	$ (2,327)	$ 381,911

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Latham Group, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021
Cash flows from operating activities:		
Net income (loss)	$ 1,463	$ (45,065)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,274	15,670
Amortization of deferred financing costs and debt discount	709	5,698
Stock-based compensation expense	33,354	76,975
Underwriting fees related to offering of common stock	11,437	—
Loss on extinguishment of debt	3,465	—
Other non-cash, net	2,648	1,041
Earnings from equity method investment	(1,262)	(998)
Distributions received from equity method investment	—	998
Changes in operating assets and liabilities:		
Trade receivables	(45,696)	(44,472)
Inventories	(53,182)	(9,455)
Prepaid expenses and other current assets	759	(3,680)
Income tax receivable	(1,349)	(75)
Other assets	(375)	830
Accounts payable	15,865	11,007
Accrued expenses and other current liabilities	(2,428)	5,551
Other long-term liabilities	232	113
Net cash (used in) provided by operating activities	(15,086)	14,138
Cash flows from investing activities:		
Purchases of property and equipment	(16,750)	(12,967)
Proceeds from the sale of property and equipment	23	16
Acquisitions of businesses, net of cash acquired	(384)	—
Return of equity method investment	—	108
Net cash used in investing activities	(17,111)	(12,843)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	320,125	172,813
Payments on long-term debt borrowings	(284,822)	(161,275)
Proceeds from borrowings on revolving credit facilities	25,000	16,000
Payments on revolving credit facilities	(25,000)	(16,000)
Deferred financing fees paid	(6,865)	(1,250)
Dividend to Class A unitholders	—	(110,033)
Proceeds from sale of common stock	257,663	—
Proceeds from initial public offering, net of underwriting discounts, commissions and offering costs	—	399,264
Repurchases and retirements of common stock	(272,663)	(281,638)
Net cash provided by financing activities	13,438	17,881
Effect of exchange rate changes on cash	27	(1,969)
Net (decrease) increase in cash	(18,732)	17,207
Cash at beginning of period	43,952	59,310
Cash at end of period	$ 25,220	$ 76,517
Supplemental cash flow information:		
Cash paid for interest	$ 5,080	$ 10,267
Income taxes paid, net	13,353	6,751
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 990	$ 530
Capitalized internal-use software included in accounts payable – related party	900	1,350
Right-of-use operating assets obtained in exchange for lease liabilities	39,501	—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. NATURE OF THE BUSINESS

Latham Group, Inc. (the "Company") wholly owns Latham Pool Products, Inc. ("Latham Pool Products") (together, "Latham") and is a designer, manufacturer and marketer of in-ground residential swimming pools in North America, Australia and New Zealand. Latham offers a portfolio of pools and related products, including in-ground swimming pools, pool liners and pool covers.

On December 18, 2018, Latham Investment Holdings, LP ("Parent"), an investment fund managed by affiliates of Pamplona Capital Management (the "Sponsor"), Wynnchurch Capital, L.P. and management acquired all of the outstanding equity interests of Latham Topco., Inc., a newly incorporated entity in the State of Delaware. Latham Topco, Inc. changed its name to Latham Group, Inc. on March 3, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The consolidated balance sheet at December 31, 2021 was derived from audited financial statements but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of July 2, 2022 and for the fiscal and two fiscal quarters ended July 2, 2022 and July 3, 2021 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with Latham Group, Inc.'s audited consolidated financial statements and the notes thereto for the year ended December 31, 2021 included in the Company's 2021 Annual Report on Form 10-K, filed with the SEC on March 10, 2022 (the "Annual Report"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of these condensed consolidated financial statements, have been included. The Company's results of operations for the fiscal and two fiscal quarters ended July 2, 2022 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2022.

Use of Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company bases its estimates on historical experience, known trends and other market-specific relevant factors that it believes to be reasonable under the circumstances. Estimates are evaluated on an ongoing basis and revised as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known.

Segment Reporting

The Company identifies operating segments based on how the chief operating decision maker manages the business, allocates resources, makes operating decisions and evaluates operating performance. The Company conducts its business as one operating and reportable segment that designs, manufactures and markets in-ground swimming pools, liners and covers. The Company's chief executive officer, who is the chief operating decision maker, reviews financial information presented on a consolidated basis for purposes of assessing financial performance and allocating resources.

Seasonality

Although the Company generally has demand for its products throughout the year, its business is seasonal and weather is one of the principal external factors affecting the business. Historically, net sales and net income are highest during spring and summer, representing the peak months of swimming pool use, pool installation and remodeling and repair activities. Severe weather may also affect net sales in all periods.

Accounting Policies

Refer to the Company's Annual Report for a discussion of the Company's accounting policies, as updated below.

Recently Issued Accounting Pronouncements

The Company qualifies as "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected to "opt in" to the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In addition, a lessee is required to record (i) a right-of-use asset and a lease liability on its balance sheet for all leases with accounting lease terms of more than 12 months regardless of whether it is an operating or financing lease and (ii) lease expense in its consolidated statement of operations for operating leases and amortization and interest expense in its consolidated statement of operations for financing leases. Leases with a term of 12 months or less may be accounted for similar to how operating leases were accounted for under the prior guidance. In July 2018, the FASB issued *ASU No. 2018-11, Leases (Topic 842)*, which added an optional transition method that allows companies to adopt the standard as of the beginning of the year of adoption as opposed to the earliest comparative period presented. In November 2019, the FASB issued guidance delaying the effective date for all entities, except for public business entities. For nonpublic entities, this guidance is effective for annual periods beginning after December 15, 2020. In June 2020, the FASB issued additional guidance delaying the effective date for all entities, except for public business entities. The Company adopted ASU 2016-02 on January 1, 2022 using the modified retrospective approach and elected the package of practical expedients to use in transition, which permitted us not to reassess, under the new standard, our prior conclusions about lease identification and lease classification. The adoption resulted in the addition of $33.5 million of operating lease right-of-use assets, and $34.0 million of operating lease liabilities, a decrease of $0.2 million to deferred rent and a decrease of $0.3 million to retained earnings for the cumulative effect of initially applying the new standard. The adoption did not have a material impact on the Company's Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Stockholders' Equity or Condensed Consolidated Statements of Cash Flows. See Note 9, "Leases" for additional information related to the Company's leases and accounting policy elections.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*, which narrowed the scope and changed the effective date for nonpublic entities for ASU 2016-13. The FASB subsequently issued supplemental guidance within ASU 2019-05, *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief* ("ASU 2019-05"). ASU 2019-05 provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For public entities that are SEC filers, excluding entities eligible to be smaller reporting companies, ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. As an "emerging growth company", the Company is not yet required to adopt the standard and is currently evaluating the impact that the adoption of ASU 2016-13 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Specifically, this guidance applies to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This guidance is effective for all entities upon issuance on March 12, 2020 and may be applied through December 31, 2022. The expedients and exceptions in this guidance are optional. The Company elected the optional expedient in connection with amending its interest rate swap to replace the reference rate from LIBOR to SOFR to consider the amendment as a continuation of the existing contract without having to perform an assessment that would otherwise be required under GAAP.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which amends ASC 805 by requiring acquiring entities to apply ASC 606 to recognize and measure contract assets and contract liabilities in a business combination. For public entities, ASU 2021-08 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. For all other entities, ASU 2021-08 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company is currently evaluating ASU 2021-08 and its potential impact on its consolidated financial statements.

3. ACQUISITIONS

Trojan Leisure Products, LLC d/b/a Radiant Pools

On November 24, 2021, Latham Pool Products acquired Trojan Leisure Products, LLC d/b/a Radiant Pools ("Radiant") for a total purchase price of $90.7 million (the "Radiant Acquisition"). The results of Radiant's operations have been included in the consolidated financial statements since that date. Radiant specializes in manufacturing proprietary vinyl liner aluminum swimming pools which can be built completely in-ground, semi-inground, or above ground. As a result, this acquisition expanded the Company's product offerings. In connection with the Radiant Acquisition, consideration paid was $90.7 million in cash, or $90.5 million net of cash acquired of $0.2 million. The cash consideration was funded, in part, through long-term debt proceeds of $50.0 million. The Company incurred $2.9 million in transaction costs.

Subsequent to the acquisition date, there was an additional amount due to the seller of $0.4 million related to the finalization of the net working capital adjustment, which was accounted for as a measurement period adjustment. The measurement period adjustment resulted in an increase in the total consideration transferred of $0.4 million and an increase to goodwill of $0.4 million. The net working capital adjustment was settled during the fiscal quarter ended July 2, 2022.

The Company accounted for the Radiant Acquisition using the acquisition method of accounting in accordance with ASC 805. This requires that the assets acquired and liabilities assumed be measured at fair value. The Company estimated, using Level 3 inputs, the fair value of certain fixed assets using a combination of the cost approach and the market approach. Inventories were valued using the comparative sales method, less the cost of disposal. Specific to intangible assets, customer relationships and backlog were valued using the multi-period excess earnings method, whereas trade names, technology and pool designs were valued using the relief from royalty method. The Company recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition date.

The following summarizes the purchase price allocation for the Radiant Acquisition:

(in thousands)	November 24, 2021
Total consideration	$ 91,109
Allocation of purchase price:	
Cash	217
Trade receivables	2,805
Inventories	5,528
Prepaid expenses and other current assets	396
Property and equipment	1,263
Intangible assets	72,500
Total assets acquired	82,709
Accounts payable	1,744
Accrued expenses and other current liabilities	1,038
Other long-term liabilities	2,920
Total liabilities assumed	5,702
Total fair value of net assets acquired, excluding goodwill:	77,007
Goodwill	$ 14,102

The excess of the purchase price over the fair value of the identifiable assets acquired and the liabilities assumed in the Radiant Acquisition was allocated to goodwill in the amount of $14.1 million. Goodwill resulting from the Radiant Acquisition was attributable to the expanded market share and product offerings. Goodwill resulting from the Radiant Acquisition is deductible for tax purposes.

The Company allocated a portion of the purchase price to specific intangible asset categories as follows:

Definite-lived intangible assets:	Fair Value (in thousands)	Amortization Period
Dealer relationships	$ 37,000	13 years
Trade names	13,000	25 years
Technology	13,000	15 years
Pool designs	7,900	15 years
Backlog	1,600	10 months
	$ 72,500	

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 — Unobservable inputs that reflect the Company’s own assumptions incorporated into valuation techniques. These valuations require significant judgment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When there is more than one input at different levels within the hierarchy, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of a particular input to the fair value measurement in its entirety requires substantial judgment and consideration of factors specific to the asset or liability. Level 3 inputs are inherently difficult to estimate. Changes to these inputs can have significant impact on fair value measurements. Assets and liabilities measured at fair value using Level 3 inputs are based on one or more of the following valuation techniques: market approach, income approach or cost approach. There were no transfers between fair value measurement levels during the two fiscal quarters ended July 2, 2022 or July 3, 2021.

Assets and liabilities measured at fair value on a nonrecurring basis

The Company's non-financial assets such as goodwill, intangible assets and property and equipment are measured at fair value upon acquisition or remeasured to fair value when an impairment charge is recognized. Such fair value measurements are based predominantly on Level 2 and Level 3 inputs.

Fair value of financial instruments

The Company considers the carrying amounts of cash, trade receivables, prepaid expenses and other current assets, accounts payable, and accrued expenses and other current liabilities, to approximate fair value due to the short-term maturities of these instruments.

Term loans

Term loans (see Note 7) are carried at amortized cost; however, the Company estimates the fair value of term loans for disclosure purposes. The fair value of term loans is determined using inputs based on observable market data of a non-public exchange, which are classified as Level 2 inputs. The following table sets forth the carrying amount and fair value of its term loans (in thousands):

	July 2, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
New Term Loan	$ 313,721	$ 298,819	$ —	$ —
Amended Term Loan	$ —	$ —	$ 280,408	$ 281,926

Interest rate swap

The Company estimates the fair value of the interest rate swap (see Note 7) on a quarterly basis using Level 2 inputs, including the forward SOFR curve. The fair value is estimated by comparing (i) the present value of all future monthly fixed rate payments versus (ii) the variable payments based on the forward SOFR curve. As of July 2, 2022 and December 31, 2021, the fair value of the Company's interest rate swap asset was $4.4 million and $0.5 million, respectively, which was recorded within other assets on the condensed consolidated balance sheets.

5. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The carrying amount of goodwill as of July 2, 2022 and as of December 31, 2021 was $128.6 million and $128.9 million, respectively. The change in the carrying value during the two fiscal quarters ended July 2, 2022 was due to an increase of $0.4 million as a result of a measurement period adjustment (see Note 3) and fluctuations in foreign currency exchange rates.

Intangible Assets

Intangible assets, net as of July 2, 2022 consisted of the following (in thousands):

	July 2, 2022			
	Gross Carrying Amount	Foreign Currency Translation	Accumulated Amortization	Net Amount
Trade names and trademarks	$ 148,100	$ (91)	$ 19,684	$ 128,325
Patented technology	16,126	34	6,082	10,078
Technology	13,000	—	506	12,494
Pool designs	13,628	(16)	1,569	12,043
Franchise relationships	1,187	40	916	311
Dealer relationships	197,376	12	38,820	158,568
Backlog	1,600		1,120	480
Non-competition agreements	2,476	—	1,751	725
	$ 393,493	$ (21)	$ 70,448	$ 323,024

The Company recognized $7.2 million and $14.3 million of amortization expense related to intangible assets during the fiscal and two fiscal quarters ended July 2, 2022, respectively. The Company recognized $5.5 million and $11.1 million of amortization expense related to intangible assets during the fiscal and two fiscal quarters ended July 3, 2021, respectively.

Intangible assets, net as of December 31, 2021 consisted of the following (in thousands):

	December 31, 2021			
	Gross Carrying Amount	Foreign Currency Translation	Accumulated Amortization	Net Amount
Trade names and trademarks	$ 148,100	$ 439	$ 16,382	$ 132,157
Patented technology	16,126	65	5,205	10,986
Technology	13,000	—	72	12,928
Pool designs	13,628	265	1,101	12,792
Franchise relationships	1,187	54	767	474
Dealer relationships	197,376	22	30,838	166,560
Backlog	1,600	—	160	1,440
Non-competition agreements	2,476	—	1,503	973
	$ 393,493	$ 845	$ 56,028	$ 338,310

The Company estimates that amortization expense related to definite-lived intangible assets will be as follows in each of the next five years and thereafter (in thousands):

Year Ended	Estimated Future Amortization Expense
Remainder of fiscal 2022	$ 13,840
2023	26,528
2024	25,708
2025	25,550
2026	25,550
Thereafter	205,848
	$ 323,024

6. INVENTORIES, NET

Inventories, net consisted of the following (in thousands):

	July 2, 2022	December 31, 2021
Raw materials	$ 105,131	$ 77,510
Finished goods	56,788	32,046
	$ 161,919	$ 109,556

7. LONG-TERM DEBT

The components of the Company's outstanding debt obligations consisted of the following (in thousands):

	July 2, 2022	December 31, 2021
New Term Loan	$ 324,187	$ —
Amended Term Loan	—	284,009
Less: Unamortized discount and debt issuance costs	(10,466)	(3,601)
Total debt	313,721	280,408
Less: Current portion of long-term debt	(3,250)	(17,220)
Total long-term debt	$ 310,471	$ 263,188

On February 23, 2022, Latham Pool Products entered into an agreement (the "New Credit Agreement") with Barclays Bank PLC, which provides a senior secured multicurrency revolving line of credit (the "New Revolving Credit Facility") in an initial principal amount of $75.0 million and a U.S. Dollar senior secured term loan facility (the "New Term Loan Facility") in an initial principal amount of $325.0 million (the "Refinancing"). On the closing date, proceeds under the agreement were used to repay $294.0 million and terminate the Credit Agreement (as defined below) and for general corporate purposes.

New Revolving Credit Facility

On February 23, 2022, Latham Pool Products entered into the New Credit Agreement with Barclays Bank PLC, which provides a senior secured multicurrency revolving line of credit in an initial principal amount of $75.0 million. The New Revolving Credit Facility may be utilized to finance ongoing general corporate and working capital needs and permits Latham Pools Products to borrow loans in U.S. Dollars, Canadian Dollars, Euros and Australian Dollars. The New Revolving Credit Facility matures on February 23, 2027. Loans outstanding under the New Revolving Credit Facility denominated in U.S. Dollars and Canadian Dollars bear interest, at the borrower's option, at a rate per annum based on Term SOFR or CDO (each, as defined in the New Credit Agreement), as applicable, plus a margin of 3.50%, or at a rate per annum based on the Base Rate or the Canadian Prime Rate (each, as defined in the New Credit Agreement), plus a margin of 2.50%. Loans outstanding under the New Revolving Credit Facility denominated in Euros or Australian Dollars bear interest based on EURIBOR or the AUD Rate (each, as defined in the New Credit Agreement), respectively, plus a margin of 3.50%. A commitment fee accrues on any unused portion of the commitments under the New Revolving Credit Facility. The commitment fee is due and payable quarterly in arrears and is, initially, 0.375% per annum and will, thereafter, accrue at a rate per annum ranging from 0.25% to 0.50%, depending on the First Lien Net Leverage Ratio (as defined in the New Credit Agreement, the "First Lien Net Leverage Ratio"). Borrowings under the New Revolving Credit Facility are due at maturity.

The Company incurred debt issuance costs of $0.8 million related to the New Revolving Credit Facility. The debt issuance costs were recorded within other assets on the condensed consolidated balance and are being amortized over the life of the New Revolving Credit Facility.

The Company is required to meet certain financial covenants, including maintaining specific liquidity measurements. There are also negative covenants, including certain restrictions on the Company's ability to incur additional indebtedness, create liens, make investments, consolidate or merge with other entities, enter into transactions with affiliates, make prepayments with respect to certain indebtedness and make restricted payments and other distributions.

As of July 2, 2022, there were no outstanding borrowings on the New Revolving Credit Facility.

New Term Loan Facility

Pursuant to the New Credit Agreement, Latham Pool Products also borrowed $325.0 million in term loans. The New Term Loan Facility matures on February 23, 2029. Loans outstanding under the New Term Loan Facility bear interest, at the borrower's option, at a rate per annum based on Term SOFR (as defined in the New Credit Agreement), plus a margin ranging from 3.75% to 4.00%, depending on the First Lien Net Leverage Ratio, or based on the Base Rate (as defined in the Credit Agreement), plus a margin ranging from 2.75% to 3.00%, depending on the First Lien Net Leverage Ratio. Loans under the Term Loan Facility are subject to scheduled quarterly amortization payments equal to 0.25% of the initial principal amount of the Term Loan Facility. The New Credit Agreement contains customary mandatory prepayment provisions, including requirements to make mandatory prepayments with 50% of any excess cash flow and with 100% of the net cash proceeds from the incurrence of indebtedness not otherwise permitted to be incurred by the covenants, asset sales and casualty and condemnation events, in each case, subject to customary exceptions.

The Company recorded $6.1 million of debt issuance costs and $4.9 million of debt discount related to the New Term Loan Facility as a direct reduction to the carrying amount of long-term debt on the condensed consolidated balance sheet.

Outstanding borrowings as of July 2, 2022 were $313.7 million, net of discount and debt issuance costs of $10.5 million. In connection with the New Term Loan, the Company is subject to various negative, reporting, financial and other covenants, including maintaining specific liquidity measurements.

As of July 2, 2022, the unamortized debt issuance costs and discount on the New Term Loan were $5.8 million and $4.7 million, respectively. The effective interest rate was 5.95% at July 2, 2022, including the impact of the Company's interest rate swap.

As of July 2, 2022, the Company was in compliance with all financial covenants under the New Credit Agreement.

Revolving Credit Facility

On December 18, 2018, Latham Pool Products entered into an agreement (the "Credit Agreement") with Nomura Corporate Funding Americas, LLC that included a revolving line of credit (the "Revolver") and letters of credit ("Letters of Credit" or collectively with the Revolver, the "Revolving Credit Facility") in the amount of up to $30 million, as well as a Term Loan (as described and defined below). The Revolving Credit Facility was utilized to finance ongoing general corporate and working capital needs. The Revolving Credit Facility was terminated in connection with the Refinancing.

Term Loan Facility

Pursuant to the Credit Agreement, Latham Pool Products also borrowed $215.0 million in term loans (the "Term Loan"). The Term Loan was amended on May 29, 2019, to provide additional borrowings of $23.0 million, which was accounted for as a modification to the Term Loan, to fund the Company's acquisition of Narellan Group Pty Limited and its subsidiaries (the "First Amendment"). On October 14, 2020, Latham Pool Products amended the First Amendment to provide additional borrowings of $20.0 million, which was accounted for as new debt (the "Second Amendment"). The Second Amendment was further amended on January 25, 2021, to provide an additional incremental term loan of $175.0 million (the "Third Amendment"). On January 25, 2021, Latham Pool Products borrowed the incremental term loan, and the proceeds were used on February 2, 2021 to purchase and retire equity interests and to pay a distribution. On March 31, 2021, Latham Pool Products amended our Term Loan to revise the applicable reporting requirements (the "Fourth Amendment"). On November 24, 2021, Latham Pool Products amended the Term Loan to provide additional borrowings of $50 million (the "Fifth Amendment"). The proceeds from this incremental term loan were used to finance the Radiant Acquisition in part. The Term Loan, collectively with the First Amendment, Second Amendment, Third Amendment, the Fourth Amendment and the Fifth Amendment, is referred to as the "Amended Term Loan." The Amended Term Loan was repaid and terminated in connection with the Refinancing.

Interest Rate Risk

Interest rate risk associated with the New Credit Agreement is managed through an interest rate swap that the Company executed on April 30, 2020. The swap has an effective date of May 18, 2020 and a termination date of May 18, 2023. In February of 2022, the Company amended its interest rate swap to change the index rate from LIBOR to SOFR in connection with the entry into the New Credit Agreement. Under the terms of the amended swap, the Company fixed its SOFR borrowing rate at 0.496% on a notional amount of $200.0 million. The interest rate swap is not designated as a hedging instrument for accounting purposes (see Note 2 and Note 4).

Debt Maturities

Principal payments due on the outstanding debt in the next five fiscal years, excluding any potential payments based on excess cash flow levels, are as follows (in thousands):

Year Ended	Term Loan Facility
Remainder of fiscal 2022	$ 1,625
2023	3,250
2024	3,250
2025	3,250
2026	3,250
Thereafter	309,562
	$ 324,187

The obligations under the New Credit Agreement are guaranteed by certain wholly owned subsidiaries (the “Guarantors”) of the Company as defined in the security agreement. The obligations under the New Credit Agreement are secured by substantially all of the Guarantors’ tangible and intangible assets, including their accounts receivables, equipment, intellectual property, inventory, cash and cash equivalents, deposit accounts and security accounts. The New Credit Agreement also restricts payments and other distributions unless certain conditions are met, which could restrict the Company’s ability to pay dividends.

8. PRODUCT WARRANTIES

The warranty reserve activity consisted of the following (in thousands):

	Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021
Balance at the beginning of the year	$ 4,909	$ 2,882
Accruals for warranties issued	4,110	3,338
Less: Settlements made (in cash or in kind)	(3,534)	(2,504)
Balance at the end of the year	$ 5,485	$ 3,716

9. LEASES

On January 1, 2022, the Company adopted ASU 2016-02, “Leases (Topic 842),” and the related amendments (collectively “ASC 842”). The optional transition method of adoption was used, in which the cumulative effect of initially applying the new standard to existing leases was $0.3 million to record the operating lease right-of-use assets and the related liabilities as of January 1, 2022. Under this method of adoption, the comparative information has not been revised and continues to be reported under the previously applicable lease accounting guidance (ASC 840).

For leases with initial terms greater than 12 months, the Company considers these right-of-use assets and records the related asset and obligation at the present value of lease payments over the term. For leases with initial terms equal to or less than 12 months, the Company does not consider them as right-of-use assets and instead considers them short-term lease costs that are recognized on a straight-line basis over the lease term. The Company’s leases may include escalation clauses, renewal options and/or termination options that are factored into the Company’s determination of lease term and lease payments when it is reasonably certain the option will be exercised. The Company has elected to take the practical expedient and not separate lease and non-lease components of contracts. The Company estimates an incremental borrowing rate to discount the lease payments based on information available at lease commencement because the implicit rate of the lease is generally not known.

The Company leases vehicles, manufacturing facilities, office space, land, and equipment under operating leases. The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company does not have material finance leases.

The components of lease expense for the fiscal and two fiscal quarters ended July 2, 2022 were as follows (in thousands):

	Fiscal Quarter Ended July 2, 2022	Two Fiscal Quarters Ended July 2, 2022
Operating lease expense	$ 2,366	$ 4,504
Short-term lease expense	12	32
Variable lease expense	126	304
Total lease expense	$ 2,504	$ 4,840

The table below presents supplemental information related to leases as of July 2, 2022:

	July 2, 2022
Weighted-average remaining lease term (years)	
Operating leases	6.2
Weighted-average discount rate	
Operating leases	4.6 %

The table below presents supplemental information related to the cash flows for operating leases recorded on the condensed consolidated statements of cash flows (in thousands):

	Two Fiscal Quarters Ended July 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 3,526

The following table summarizes maturities of operating lease liabilities as of July 2, 2022 (in thousands):

	Operating Leases
Remainder of fiscal 2022	$ 4,266
2023	7,544
2024	7,159
2025	6,547
2026	5,121
Thereafter	11,207
Total lease payments	41,844
Less: Interest	(5,653)
Present value of lease liability	$ 36,191

10. NET SALES

The following table sets forth the Company's disaggregation of net sales by product line (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
In-ground Swimming Pools	$ 112,153	$ 108,001	$ 223,956	$ 201,644
Covers	38,389	26,223	70,914	50,229
Liners	56,258	46,665	103,544	77,762
	$ 206,800	$ 180,889	$ 398,414	$ 329,635

11. INCOME TAXES

The effective income tax rate for the fiscal and two fiscal quarters ended July 2, 2022 was 71.9% and 91.8%, respectively, compared to (10.8)% and (21.9)% for the fiscal and two fiscal quarters ended July 3, 2021. The difference between the U.S. federal statutory income tax rate and the Company's effective income tax rate for both the fiscal and two fiscal quarters ended July 2, 2022 was primarily attributable to the discrete impact of stock-based compensation expense for which there is no associated tax benefit. The difference between the U.S. federal statutory income tax rate and the Company's effective income tax rate for both the fiscal and two fiscal quarters ended July 3, 2021 was primarily attributable to the discrete impact of stock-based compensation expense.

12. SHAREHOLDERS' EQUITY

Stock Split, Initial Public Offering and Reorganization

On April 13, 2021, the Company's certificate of incorporation was amended and restated. On April 13, 2021, the Company effected a 109,673.709-for-one stock split of its issued and outstanding shares of common stock. Accordingly, all share and per share data included in these condensed consolidated financial statements and notes thereto have been adjusted retroactively to reflect the impact of the amended and restated certificate of incorporation and the stock split.

On April 27, 2021, the Company completed its initial public offering (the "IPO"), pursuant to which it issued and sold 23,000,000 shares of common stock, inclusive of 3,000,000 shares sold by the Company pursuant to the full exercise of the underwriters' option to purchase additional shares. The aggregate net proceeds received by the Company from the IPO were $399.3 million, after deducting underwriting discounts and commissions and other offering costs.

Prior to the closing of the Company's IPO on April 27, 2021, the Company's parent entity, Parent, merged with and into Latham Group, Inc. (the "Reorganization").

Offering of Common Stock

On January 11, 2022, the Company completed an offering of 13,800,000 shares of common stock, par value $0.0001 per share, including the exercise in full by the underwriters of their option to purchase up to 1,800,000 additional shares of common stock, at a public offering price of $19.50 per share. The Company received proceeds of $257.7 million from this offering, net of $11.4 million of underwriting fees. The proceeds of $257.7 million were used to purchase 13,800,000 shares of common stock from certain of the Company's stockholders, primarily investment funds managed by the Sponsor and Wynnchurch Capital, L.P., and also a small percentage of shares of common stock owned by some of our directors and executive officers.

Repurchase Program

On May 10, 2022, the Company approved a stock repurchase program (the "Repurchase Program"), which authorized the Company to repurchase up to $100 million of the Company's shares of common stock over the next three years. The Company may effect these repurchases in open market transactions, privately negotiated purchases or other acquisitions. The Company is not obligated to repurchase any of its shares of its common stock under the Repurchase Program and the timing and amount of any repurchases will depend on market conditions, the Company's stock price, alternative uses of capital, the terms of the Company's debt instruments and other factors.

During the fiscal quarter ended July 2, 2022, the Company repurchased and concurrently retired 2,026,231 shares of the Company's common stock for an aggregate amount of $15.0 million, pursuant to the Repurchase Program. As of July 2, 2022, approximately $85.0 million remained available for share repurchases pursuant to the Repurchase Program. The Company accounts for the excess of the repurchase price over the par value of shares acquired as a reduction to additional paid-in capital.

13. STOCK-BASED COMPENSATION

On April 12, 2021, the Company's stockholders approved the 2021 Omnibus Incentive Plan (the "Omnibus Incentive Plan"), which became effective on April 22, 2021, upon pricing of the IPO. The Omnibus Incentive Plan provides for the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based and cash-based awards. The maximum aggregate number of shares reserved for issuance under the Omnibus Incentive Plan is 13,170,212 shares. The maximum grant date fair value of cash and equity awards that may be awarded to a non-employee director under the Omnibus Incentive Plan during any one fiscal year, together with any cash fees paid to such non-employee director during such fiscal year, is $750,000.

The following table summarizes the Company's stock-based compensation expense:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cost of sales	$ 1,140	$ 4,923	$ 2,316	$ 4,923
Selling, general and administrative	15,289	70,588	31,038	72,052
	$ 16,429	$ 75,511	$ 33,354	$ 76,975

As of July 2, 2022, total unrecognized stock-based compensation expense related to all unvested stock-based awards was $47.0 million, which is expected to be recognized over a weighted-average period of 1.36 years.

The following table sets forth the significant assumptions used in the Black-Scholes option-pricing model on a weighted-average basis to determine the fair value of option awards granted:

	Two Fiscal Quarters Ended July 2, 2022
Risk-free interest rate	1.82 %
Expected volatility	39.77 %
Expected term (in years)	6.25
Expected dividend yield	0.00 %

Restricted Stock Awards

The following table represents the Company's restricted stock awards activity during the two fiscal quarters ended July 2, 2022:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2022	5,803,124	$ 19.00
Granted	—	—
Vested	(1,373,260)	19.00
Forfeited	(53,961)	19.00
Outstanding at July 2, 2022	4,375,903	$ 19.00

Restricted Stock Units

The following table represents the Company's restricted stock units activity during the two fiscal quarters ended July 2, 2022:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2022	278,591	$ 19.08
Granted	108,134	15.27
Vested	(182,383)	19.00
Forfeited	(5,173)	19.00
Outstanding at July 2, 2022	199,169	$ 17.09

Stock Options

The following table represents the Company's stock option activity during the two fiscal quarters ended July 2, 2022:

	Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on January 1, 2022	822,886	$ 19.08		
Granted	1,144,865	15.56		
Exercised	—	—		
Forfeited	(185,129)	17.22		
Outstanding at July 2, 2022	1,782,622	$ 17.02	9.24	$ —
Vested and expected to vest at July 2, 2022	1,782,622	$ 17.02	9.24	$ —
Options exercisable at July 2, 2022	181,271	19.00	8.66	—

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock. The weighted average grant-date fair value of stock options granted during the two fiscal quarters ended July 2, 2022 was $6.48 per share.

14. NET INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per share attributable to common stockholders was calculated as follows (in thousands, except share and per share data):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Numerator:				
Net income (loss) attributable to common stockholders	$ 4,303	$ (53,598)	$ 1,463	$ (45,065)
Denominator:				
Weighted-average common shares outstanding				
Basic	113,692,160	109,163,698	113,695,354	109,115,991
Diluted	115,384,273	109,163,698	115,698,368	109,115,991
Net income (loss) per share attributable to common stockholders:				
Basic	$ 0.04	$ (0.49)	$ 0.01	$ (0.41)
Diluted	$ 0.04	$ (0.49)	$ 0.01	$ (0.41)

As of July 2, 2022 and December 31, 2021, 113,171,655 and 113,642,487 shares of common stock are issued and outstanding for accounting purposes, respectively.

The following table includes the number of shares that may be dilutive common shares in the future that were not included in the computation of diluted net income (loss) per share because the effect was anti-dilutive:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Restricted stock awards	—	5,075,346	—	8,721,817
Restricted stock units	102,108	112,449	56,764	55,613
Stock options	1,809,704	81,017	1,501,528	40,068

15. RELATED PARTY TRANSACTIONS

BrightAI Services

Starting in 2020, BrightAI rendered services to the Company, for which the cost was capitalized as internal-use software. A co-founder of BrightAI Services has served on the Company’s board of directors since December 9, 2020. During the two fiscal quarters ended July 2, 2022 and the year ended December 31, 2021, the Company incurred $0.3 million and $2.1 million, respectively, associated with services performed by BrightAI, which is recorded as construction in progress within property and equipment, net on the condensed consolidated balance sheet as of July 2, 2022. As of both July 2, 2022 and December 31, 2021, the Company had accounts payable - related party to BrightAI of $0.9 million.

Expense Reimbursement and Management Fees

The Company had an expense reimbursement agreement (the “management fee arrangement”) with the Sponsor and Wynnchurch Capital, L.P. for ongoing consulting and advisory services. The management fee arrangement provided for the aggregate payment of up to $1.0 million each year for reimbursement of expenses incurred with services provided and, depending on the extent of services provided, management fees. The management fee arrangement terminated upon consummation of the Company’s IPO.

The Company entered into a Stockholders’ Agreement with the Sponsor and Wynnchurch Capital, L.P. on April 27, 2021. The Stockholders’ Agreement requires the Company to reimburse the Sponsor and Wynnchurch Capital, L.P. the reasonable out-of-pocket costs and expenses in connection with monitoring and overseeing their investment in the Company.

There were no management fees incurred by the Company during the fiscal and two fiscal quarters ended July 2, 2022 and July 3, 2021. The Company did not reimburse any out-of-pocket costs or expenses to the Sponsor and Wynnchurch Capital, L.P. during the two fiscal quarters ended July 2, 2022. The Company reimbursed less than $0.1 million of out-of-pocket costs or expenses to the Sponsor and Wynnchurch Capital, L.P. during the two fiscal quarters ended July 3, 2021. As of both July 2, 2022 and December 31, 2021, there were no outstanding amounts payable to the Sponsor and Wynnchurch Capital, L.P.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 10, 2022 (the "Annual Report").

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report are forward-looking statements that involve risk, assumptions and uncertainties, such as statements of our plans, objectives, expectations, intentions and forecasts. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms "anticipate," "believe," "confident," "continue," "could," "estimate," "expect," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "target," "will," "would" and, in each case, their negative or other various or comparable terminology. Our actual results and the timing of selected events could differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under the section of this Quarterly Report on Form 10-Q titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different, negatively or positively, from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause our results to vary from expectations include, but are not limited to secular shifts in consumer demand for swimming pools and spending on outdoor living spaces; slow pace of material conversion from concrete pools to fiberglass pools in the pool industry; general economic conditions and uncertainties affecting markets in which we operate and economic volatility that could adversely impact our business, including the COVID-19 pandemic and inflation; the impact of the war between the Russian Federation and Ukraine, including impact of sanctions imposed by Western governments; changes in access to consumer credit or increases in interest rates impacting consumers' ability to finance their purchases of pools; the impact of weather on our business; our ability to attract new customers and retain existing customers, including the ability to generate additional potential sales leads for our dealers and the ability to convert leads generated into ultimate sales of products to consumers; our ability to sustain further growth and to manage it effectively; the ability of our suppliers to continue to deliver the quantity or quality of materials sufficient to meet our needs to manufacture our products; the availability and cost of third-party transportation services for our products and raw materials; product quality issues; our ability to successfully defend litigation brought against us; our ability to adequately obtain, maintain, protect and enforce our intellectual property and proprietary rights and claims of intellectual property and proprietary right infringement, misappropriation or other violation by competitors and third parties; failure to hire and retain qualified employees and personnel; exposure to risks associated with international sales and operations, including foreign currency exchange rates, corruption and instability; security breaches, cyber-attacks and other interruptions to our and our third-party service providers' technological and physical infrastructures; catastrophic events, including war, terrorism and other international conflicts, public health issues or natural catastrophes and accidents; risk of increased regulation of our operations, particularly related to environmental laws; fluctuations in our operating results; inability to compete successfully against current and future competitors; and other risks, uncertainties and factors set forth in this Quarterly Report on Form 10-Q, including those set forth under section titled "Risk Factors." These forward-looking statements reflect our views with respect to future events as of the date of this Quarterly Report on Form 10-Q and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

Overview

We are the largest designer, manufacturer and marketer of in-ground residential swimming pools in North America, Australia and New Zealand. We hold the #1 market position in North America in every product category in which we compete. We believe that we are the most sought-after brand in the pool industry and the only pool company that has established a direct relationship with the homeowner. We are Latham, The Pool Company™.

With an operating history that spans over 65 years, we offer the industry's broadest portfolio of pools and related products, including in-ground swimming pools, pool liners and pool covers.

We have a heritage of innovation. In an industry that has traditionally marketed on a business-to-business basis (pool manufacturer to dealer), we pioneered the first "direct-to-homeowner" digital and social marketing strategy that has transformed the homeowner's purchase journey. Through this marketing strategy, we are able to create demand for our pools and generate and provide high quality, purchase-ready consumer leads to our dealer partners.

Partnership with our dealers is integral to our collective success, and we have enjoyed long-tenured relationships averaging over 14 years. We support our dealer network with business development tools, co-branded marketing programs and in-house training, as well as an operations platform consisting of over 2,300 employees across over 30 facilities.

The full resources of our company are dedicated to designing and manufacturing high-quality pool products with the homeowner in mind, and positioning ourselves as a value-added partner to our dealers.

We conduct our business as one operating and reportable segment that designs, manufactures and markets in-ground swimming pools, liners and covers.

Recent Developments

Highlights for the fiscal quarter ended

- Increase in net sales of 14.3%, or $25.9 million, to $206.8 million for the fiscal quarter ended July 2, 2022, compared to $180.9 million for the fiscal quarter ended July 3, 2021.

- Increase in net income of $57.9 million, to $4.3 million for the fiscal quarter ended July 2, 2022, compared to a net loss of $53.6 million for the fiscal quarter ended July 3, 2021, representing an 2.1% net income margin for the fiscal quarter ended July 2, 2022.

- Increase in Adjusted EBITDA (as defined below) of $5.9 million, to $48.7 million for the fiscal quarter ended July 2, 2022, compared to $42.8 million for the fiscal quarter ended July 3, 2021.

Highlights for the two fiscal quarters ended

- Increase in net sales of 20.9%, or $68.8 million, to $398.4 million for the two fiscal quarters ended July 2, 2022, compared to $329.6 million for the two fiscal quarters ended July 3, 2021.

- Increase in net income of $46.6 million, to $1.5 million for the two fiscal quarters ended July 2, 2022, compared to a net loss of $45.1 million for the two fiscal quarters ended July 3, 2021, representing an 0.4% net income margin for the two fiscal quarters ended July 2, 2022.

- Increase in Adjusted EBITDA of $20.2 million, to $96.6 million for the two fiscal quarters ended July 2, 2022, compared to $76.4 million for the two fiscal quarters ended July 3, 2021.

Share Repurchase Program

On May 10, 2022, we approved a stock repurchase program (the "Repurchase Program"), which authorized us to repurchase up to $100 million of our shares of common stock over the next three years. We may effect these repurchases in open market transactions, privately negotiated purchases or other acquisitions. We are not obligated to repurchase any of our shares of our common stock under the Repurchase Program and the timing and amount of any repurchases will depend on market conditions, our stock price, alternative uses of capital, the terms of our debt instruments and other factors. During the fiscal quarter ended July 2, 2022, we repurchased and concurrently retired 2,026,231 shares of the Company's common stock for an aggregate amount of $15.0 million, pursuant to the Repurchase Program. As of July 2, 2022, approximately $85.0 million remained available for share repurchases pursuant to our Repurchase Program.

Key Performance Indicators

Net Sales

We derive our revenue from the design, manufacture and sale of in-ground swimming pools, pool covers and liners. We sell fiberglass pools, which are one-piece manufactured fiberglass pools that are ready to be installed in a consumer's backyard and custom vinyl pools, which are manufactured pools that are made out of non-corrosive steel or composite polymer frame, on top of which a vinyl liner is installed. We sell liners for the interior surface of vinyl pools (including pools that were not manufactured by us). We also sell all-season covers, which are winterizing mesh and solid pool covers that protect pools against debris and cold or inclement weather and automatic safety covers for pools that can be operated with a switch.

Our sales are made through one-step and two-step business-to-business distribution channels. In our one-step distribution channel, we sell our products directly to dealers who, in turn, sell our products to consumers. In our two-step distribution channel, we sell our products to distributors who warehouse our products and sell them on to dealers, who ultimately sell our products to consumers.

Each product shipped is considered to be one performance obligation. With the exception of our extended service warranties and our custom product contracts, we recognize our revenue when control of our promised goods is transferred to our customers, either upon shipment or arrival at our customer's destination depending upon the terms of the purchase order. Sales are recognized net of any estimated rebates, cash discounts or other sales incentives. Revenue that is derived from our extended service warranties, which are separately priced and sold, is recognized over the term of the contracts. Revenue from custom products is recognized over time utilizing an input method that compares the cost of cumulative work-in-process to date to the most current estimates for the entire cost of the performance obligation.

Gross Margin

Gross margin is gross profit as a percentage of our net sales. Gross margin is dependent upon several factors, such as changes in prices of raw materials, the volume and relative sales mix among product lines, the average price of our products sold and plant performance, among other factors. Gross margin is also impacted by the costs of distribution and occupancy costs, which can vary.

Our gross profit is variable in nature and generally follows changes in net sales. The components of our cost of sales may not be comparable to the components of cost of sales or similar measures of other companies. As a result, our gross profit and gross margin may not be comparable to similar data made available by other companies.

Adjusted EBITDA and Adjusted EBITDA Margin

We use Adjusted EBITDA and Adjusted EBITDA margin to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to establish our annual management incentive bonus plan compensation and to compare our performance against that of other peer companies using similar measures. We define Adjusted EBITDA as net income (loss) plus (i) depreciation and amortization, (ii) interest expense, (iii) income tax (benefit) expense, (iv) loss on sale and disposal of property and equipment, (v) restructuring charges, (vi) stock-based compensation expense, (vii) unrealized (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) loss on extinguishment of debt, (xi) other, (xii) underwriting fees related to offering of common stock, (xiii) Odessa fire and (xiv) IPO costs. We believe excluding these items allows for better comparison of our financial results across reporting periods.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by net sales. Our definitions of Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to similarly titled measures of other companies.

For a discussion of Adjusted EBITDA and Adjusted EBITDA margin and the limitations on their use, and the reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure, and our calculation of Adjusted EBITDA margin see "—Non-GAAP Financial Measures" below.

Results of Operations

Fiscal Quarter Ended July 2, 2022 Compared to Fiscal Quarter Ended July 3, 2021

The following table summarizes our results of operations for the fiscal quarter ended July 2, 2022 and July 3, 2021:

	Fiscal Quarter Ended					
	July 2, 2022	% of Net Sales	July 3, 2021	% of Net Sales	Change Amount	Change % of Net Sales
	(dollars in thousands)					
Net sales	$ 206,800	100.0 %	$ 180,889	100.0 %	$ 25,911	0 %
Cost of sales	139,193	67.3 %	122,534	67.7 %	16,659	(0.4)%
Gross profit	67,607	32.7 %	58,355	32.3 %	9,252	0.4 %
Selling, general and administrative expense	41,804	20.2 %	95,288	52.7 %	(53,484)	(32.5)%
Amortization	7,156	3.5 %	5,479	3.0 %	1,677	0.5 %
Income (loss) from operations	18,647	9.0 %	(42,412)	(23.4)%	61,059	32.4 %
Other expense (income):						
Interest expense	3,164	1.5 %	7,516	4.2 %	(4,352)	(2.7)%
Other expense (income), net	917	0.4 %	(794)	(0.5)%	1,711	0.9 %
Total other expense, net	4,081	1.9 %	6,722	3.7 %	(2,641)	(1.8)%
Earnings from equity method investment	720	0.3 %	754	0.4 %	(34)	(0.1)%
Income (loss) before income taxes	15,286	7.4 %	(48,380)	(26.7)%	63,666	34.1 %
Income tax expense	10,983	5.3 %	5,218	2.9 %	5,765	2.4 %
Net income (loss)	$ 4,303	2.1 %	$ (53,598)	(29.6)%	$ 57,901	31.7 %
Adjusted EBITDA[(a)]	$ 48,653	23.5 %	$ 42,848	23.7 %	$ 5,805	(0.2)%

(a) Adjusted EBITDA is a non-GAAP measure. See “Non-GAAP Measures” for a reconciliation to net income (loss), the most directly comparable GAAP measure, and for information regarding our use of Adjusted EBITDA.

Net Sales

Net sales was $206.8 million for the fiscal quarter ended July 2, 2022, compared to $180.9 million for the fiscal quarter ended July 3, 2021. The $25.9 million, or 14.3%, increase in net sales was due to a $8.3 million decrease from volume and a $34.2 million increase from pricing. The $34.2 million price increase reflects the impact of pricing actions to address inflationary pressures. The $8.3 million volume decrease was largely in packaged pools, which were impacted by destocking in the wholesale distribution channel as a result of the current macro-economic environment and more days of unseasonable weather in certain regions limiting installation days. The increase in total net sales of $25.9 million across our product lines was $4.2 million for in-ground swimming pools, $9.6 million for liners and $12.1 million for covers.

Cost of Sales and Gross Margin

Cost of sales was $139.2 million for the fiscal quarter ended July 2, 2022, compared to $122.5 million for the fiscal quarter ended July 3, 2021. Gross margin increased by 0.4%, to 32.7% of net sales for the fiscal quarter ended July 2, 2022 compared to 32.3% of net sales for the fiscal quarter ended July 3, 2021. The $16.7 million, or 13.6%, increase in cost of sales was primarily the result of cost inflation, partially offset by a $3.8 million decrease in non-cash stock-based compensation expense. The 0.4% increase in gross margin was primarily driven by benefits from pricing actions to address inflation, benefits from the build of inventory, and lower non-cash stock-based compensation expense, partially offset by negative fixed cost leverage due to investments to support future growth, including fiberglass expansion initiatives.

Selling, General and Administrative Expense

Selling, general and administrative expense was $41.8 million for the fiscal quarter ended July 2, 2022, compared to $95.3 million for the fiscal quarter ended July 3, 2021, and decreased as a percentage of net sales by 32.5%. The $53.5 million, or 56.1%, decrease in selling, general and administrative expense was primarily due to a $55.3 million decrease in non-cash stock-based compensation expense, a $1.1 million decrease due to the absence of the costs incurred in prior year as a result of going public, partially offset by an increase in wages and related expenses.

Amortization

Amortization was $7.2 million for the fiscal quarter ended July 2, 2022, compared to $5.5 million for the fiscal quarter ended July 3, 2021. The $1.7 million, or 30.6%, increase in amortization was due to the increase in our definite-lived intangible assets resulting from our acquisition of Trojan Leisure Products, LLC d/b/a Radiant Pools ("Radiant") in November 2021.

Interest Expense

Interest expense was $3.2 million for the fiscal quarter ended July 2, 2022, compared to $7.5 million for the fiscal quarter ended July 3, 2021. The $4.3 million, or 57.9%, decrease in interest expense was primarily due to lower amortization of deferred financing costs and debt discount and a lower effective interest rate, compared to the fiscal quarter ended July 3, 2021. In addition, interest expense for the fiscal quarter ended July 2, 2022 was partially offset by an unrealized gain of $1.1 million related to the change in fair value of our interest rate swap.

Other Expense (Income), Net

Other expense (income), net was $0.9 million for the fiscal quarter ended July 2, 2022, compared to ($0.8) million for the fiscal quarter ended July 3, 2021. The $1.7 million increase in other expense was primarily due an unfavorable change in net foreign currency transaction gains and losses associated with our international subsidiaries.

Earnings from Equity Method Investment

Earnings from equity method investment of Premier Pools & Spa was $0.7 million for the fiscal quarter ended July 2, 2022, compared to $0.8 million for the fiscal quarter ended July 3, 2021, primarily due to our reduced ownership interest during the fiscal quarter ended July 2, 2022 as compared to the fiscal quarter ended July 3, 2021, partially offset by the financial performance of Premier Pools & Spa.

Income Tax Expense

Income tax expense was $11.0 million for the fiscal quarter ended July 2, 2022, compared to $5.2 million for the fiscal quarter ended July 3, 2021. Our effective tax rate was 71.9% for the fiscal quarter ended July 2, 2022, compared to (10.8)% for the fiscal quarter ended July 3, 2021. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the fiscal quarter ended July 2, 2022 was primarily attributable to the discrete impact of stock-based compensation expense for which there is no associated tax benefit. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the fiscal quarter ended July 3, 2021 was primarily attributable to the discrete impact of stock-based compensation expense for which there is no associated tax benefit.

Net Income (Loss)

Net income was $4.3 million for the fiscal quarter ended July 2, 2022, compared to $53.6 million of net loss for the fiscal quarter ended July 3, 2021. The $57.9 million, or 108.0%, increase in net income was primarily due to the factors described above.

Net Income (Loss) Margin

Net income margin was 2.1% for the fiscal quarter ended July 2, 2022, compared to net loss margin of 29.6% for the fiscal quarter ended July 2, 2022. The 31.7% increase in net income margin was due to a $57.9 million increase in net income and a $25.9 million increase in net sales, compared to the fiscal quarter ended July 3, 2021 due to the factors described above.

Adjusted EBITDA

Adjusted EBITDA was $48.7 million for the fiscal quarter ended July 2, 2022, compared to $42.8 million for the fiscal quarter ended July 3, 2021. The $5.9 million, or 13.5%, increase in Adjusted EBITDA was primarily due to the increase in net sales, as well as the other factors described above.

Adjusted EBITDA Margin

Adjusted EBITDA margin was 23.5% for the fiscal quarter ended July 2, 2022, compared to 23.7% for the fiscal quarter ended July 3, 2021. The 0.2% decrease in Adjusted EBITDA margin was primarily due to a $5.9 million increase in Adjusted EBITDA and a $25.9 million increase in net sales, compared to the fiscal quarter ended July 3, 2021, as well as the other factors described above.

Two Fiscal Quarters Ended July 2, 2022 Compared to Two Fiscal Quarters Ended July 3, 2021

The following table summarizes our results of operations for the two fiscal quarters ended July 2, 2022 and July 3, 2021:

	Two Fiscal Quarters Ended					
	July 2, 2022	% of Net Sales	July 3, 2021	% of Net Sales	Change Amount	Change % of Net Sales
	(dollars in thousands)					
Net sales	$ 398,414	100.0 %	$ 329,635	100.0 %	$ 68,779	0.0 %
Cost of sales	260,153	65.3 %	218,840	66.4 %	41,313	(1.1)%
Gross profit	138,261	34.7 %	110,795	33.6 %	27,466	1.1 %
Selling, general and administrative expense	87,029	21.8 %	122,460	37.2 %	(35,431)	(15.4)%
Underwriting fees related to offering of common stock	11,437	2.9 %	—	— %	11,437	2.9 %
Amortization	14,348	3.6 %	11,074	3.3 %	3,274	0.3 %
Income (loss) from operations	25,447	6.4 %	(22,739)	(6.9)%	48,186	13.3 %
Other expense (income):						
Interest expense	4,929	1.2 %	16,572	5.0 %	(11,643)	(3.8)%
Loss on extinguishment of debt	3,465	0.9 %	—	— %	3,465	0.9 %
Other expense (income), net	562	0.1 %	(1,349)	(0.4)%	1,911	0.5 %
Total other expense, net	8,956	2.2 %	15,223	4.6 %	(6,267)	(2.4)%
Earnings from equity method investment	1,262	0.3 %	998	0.3 %	264	0.0 %
Income (loss) before income taxes	17,753	4.5 %	(36,964)	(11.2)%	54,717	15.7 %
Income tax expense	16,290	4.1 %	8,101	2.5 %	8,189	1.6 %
Net income (loss)	$ 1,463	0.4 %	$ (45,065)	(13.7)%	$ 46,528	14.1 %
Adjusted EBITDA[(a)]	$ 96,615	24.2 %	$ 76,368	23.2 %	$ 20,247	1.0 %

(a) Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Measures" for a reconciliation to net income (loss), the most directly comparable GAAP measure, and for information regarding our use of Adjusted EBITDA.

Net Sales

Net sales was $398.4 million for the two fiscal quarters ended July 2, 2022, compared to $329.6 million for two fiscal quarters ended July 3, 2021. The $68.8 million, or 20.9%, increase in net sales was due to a $0.9 million decrease from volume and a $69.7 million increase from pricing. The $69.7 million price increase reflects the impact of pricing actions to address inflationary pressures. The increase in total net sales of $68.8 million across our product lines was $22.3 million for in-ground swimming pools, $25.8 million for liners and $20.7 million for covers.

Cost of Sales and Gross Margin

Cost of sales was $260.2 million for the two fiscal quarters ended July 2, 2022, compared to $218.8 million for the two fiscal quarters ended July 3, 2021. Gross margin increased by 1.1%, to 34.7% of net sales for the two fiscal quarters ended July 2, 2022 compared to 33.6% of net sales for the two fiscal quarters ended July 3, 2021. The $41.4 million, or 18.9%, increase in cost of sales was primarily the result of cost inflation, partially offset by a $2.6 million decrease in non-cash stock-based compensation expense. The 1.1% increase in gross margin was primarily driven by benefits from pricing actions to address inflation, benefits from the build of inventory, and lower non-cash stock-based compensation expense, partially offset by negative fixed cost leverage due to investments to support future growth.

Selling, General and Administrative Expense

Selling, general and administrative expense was $87.0 million for the two fiscal quarters ended July 2, 2022, compared to $122.5 million for the two fiscal quarters ended July 3, 2021, and decreased as a percentage of net sales by 15.4%. The $35.5 million, or 28.9%, decrease in selling, general and administrative expense was primarily due to a $41.0 million decrease in non-cash stock-based compensation expense, partially offset by a $1.2 million increase in ongoing public company costs, and an increase in wages and related expenses.

Underwriting Fees Related to Offering of Common Stock

Underwriting fees related to our offering of common stock were $11.4 million for the two fiscal quarters ended July 2, 2022, related to the offering that was completed in January 2022.

Amortization

Amortization was $14.3 million for the two fiscal quarters ended July 2, 2022, compared to $11.1 million for the two fiscal quarters ended July 3, 2021. The $3.2 million, or 29.6%, increase in amortization was due to the increase in our definite-lived intangible assets resulting from our acquisition of Radiant in November 2021.

Interest Expense

Interest expense was $4.9 million for the two fiscal quarters ended July 2, 2022, compared to $16.6 million for the two fiscal quarters ended July 3, 2021. The $11.7 million, or 70.3%, decrease in interest expense was primarily due to lower amortization of deferred financing costs and debt discount and a lower effective interest rate, compared to the two fiscal quarters ended July 3, 2021. In addition, interest expense for the two fiscal quarters ended July 2, 2022 was partially offset by an unrealized gain of $3.9 million related to the change in fair value of our interest rate swap.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $3.5 million for the two fiscal quarters ended July 2, 2022, compared to none for the two fiscal quarters ended July 3, 2021 as our debt refinancing was completed in February 2022.

Other Expense (Income), Net

Other expense (income), net was $0.6 million for the two fiscal quarters ended July 2, 2022, compared to ($1.3) million for the two fiscal quarters ended July 3, 2021. The $1.9 million increase in other expense was primarily due an unfavorable change in net foreign currency transaction gains and losses associated with our international subsidiaries.

Earnings from Equity Method Investment

Earnings from equity method investment of Premier Pools & Spa was $1.3 million for the two fiscal quarters ended July 2, 2022, compared to $1.0 million for the two fiscal quarters ended July 3, 2021, primarily due to the financial performance of Premier Pools & Spa, partially offset by our reduced ownership interest during the two fiscal quarters ended July 2, 2022 as compared to the two fiscal quarters ended July 3, 2021.

Income Tax Expense

Income tax expense was $16.3 million for the two fiscal quarters ended July 2, 2022, compared to $8.1 million for the two fiscal quarters ended July 3, 2021. Our effective tax rate was 91.8% for the two fiscal quarters ended July 2, 2022, compared to (21.9)% for the two fiscal quarters ended July 3, 2021. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the two fiscal quarters ended July 2, 2022 was primarily attributable to the discrete impact of stock-based compensation expense for which there is no associated tax benefit. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the two fiscal quarters ended July 3, 2021 was primarily attributable to the discrete impact of stock-based compensation expense for which there is no associated tax benefit.

Net (Loss) Income

Net income was $1.5 million for the two fiscal quarters ended July 2, 2022, compared to $45.1 million of net loss for the two fiscal quarters ended July 3, 2021. The $46.6 million, or 103.2%, increase in net income was primarily due to the factors described above.

Net (Loss) Income Margin

Net income margin was 0.4% for the two fiscal quarters ended July 2, 2022, compared to net loss margin of 13.7% for the two fiscal quarters ended July 3, 2021. The 14.1% increase in net income margin was due to a $46.6 million increase in net income and a $68.8 million increase in net sales, compared to the two fiscal quarters ended July 3, 2021 due to the factors described above.

Adjusted EBITDA

Adjusted EBITDA was $96.6 million for the two fiscal quarters ended July 2, 2022, compared to $76.4 million for the two fiscal quarters ended July 3, 2021. The $20.2 million, or 26.5%, increase in Adjusted EBITDA was primarily due to the increase in net sales, as well as the other factors described above.

Adjusted EBITDA Margin

Adjusted EBITDA margin was 24.2% for the two fiscal quarters ended July 2, 2022, compared to 23.2% for the two fiscal quarters ended July 3, 2021. The 1.0% increase in Adjusted EBITDA margin was primarily due to a $20.2 million increase in Adjusted EBITDA and a $68.8 million increase in net sales, compared to the two fiscal quarters ended July 3, 2021, as well as the other factors described above.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA margin are key metrics used by management and our board of directors to assess our financial performance. Adjusted EBITDA and Adjusted EBITDA margin are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry, when considered alongside other GAAP measures. We use Adjusted EBITDA and Adjusted EBITDA margin to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to compare our performance against that of other companies using similar measures, and as a performance measure in certain employee incentive programs. We have presented Adjusted EBITDA and Adjusted EBITDA margin solely as supplemental disclosures because we believe they allow for a more complete analysis of results of operations and assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that are non-cash items or which we do not believe are indicative of our core operating performance, such as (i) depreciation and amortization, (ii) interest expense, (iii) income tax (benefit) expense, (iv) loss on sale and disposal of property and equipment, (v) restructuring charges, (vi) stock-based compensation expense, (vii) unrealized (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) loss on extinguishment of debt, (xi) other, (xii) underwriting fees related to offering of common stock, (xiii) Odessa fire and (xiv) IPO costs.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP, and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. There can be no assurance that we will not modify the presentation of Adjusted EBITDA and Adjusted EBITDA margin in the future, and any such modification may be material. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by any such adjustments. In addition, other companies, including companies in our industry, may not calculate Adjusted EBITDA and Adjusted EBITDA margin at all or may calculate Adjusted EBITDA and Adjusted EBITDA margin differently and accordingly, are not necessarily comparable to similarly entitled measures of other companies, which reduces the usefulness of Adjusted EBITDA and Adjusted EBITDA margin as tools for comparison.

Adjusted EBITDA and Adjusted EBITDA margin have their limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Adjusted EBITDA and Adjusted EBITDA margin:

- do not reflect every expenditure, future requirements for capital expenditures or contractual commitments;
- do not reflect changes in our working capital needs;
- do not reflect the interest expense, or the amounts necessary to service interest or principal payments, on our outstanding debt;
- do not reflect income tax (benefit) expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate;
- do not reflect non-cash equity compensation, which will remain a key element of our overall equity-based compensation package; and
- do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations.

Although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA and Adjusted EBITDA margin, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA margin do not reflect any costs of such replacements.

Management compensates for these limitations by primarily relying on our GAAP results, while using Adjusted EBITDA and Adjusted EBITDA margin as supplements to the corresponding GAAP financial measures.

The following table provides a reconciliation of our net income to Adjusted EBITDA for the periods presented and the calculation of Adjusted EBITDA margin:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	(dollars in thousands)			
Net income (loss)	$ 4,303	$ (53,598)	$ 1,463	$ (45,065)
Depreciation and amortization	9,780	7,770	19,274	15,670
Interest expense	3,164	7,516	4,929	16,572
Income tax expense	10,983	5,218	16,290	8,101
Loss on sale and disposal of property and equipment	124	22	124	187
Restructuring charges(a)	106	36	119	407
Stock-based compensation(b)	16,429	75,511	33,354	76,975
Unrealized (gains) losses on foreign currency transactions(c)	1,718	(731)	1,714	(792)
Strategic initiative costs(d)	669	376	2,487	376
Acquisition and integration related costs(e)	—	4	257	72
Loss on extinguishment of debt (f)	—	—	3,465	—
Other(g)	(146)	(355)	179	(91)
Underwriting fees related to offering of common stock (h)	—	—	11,437	—
Odessa fire (i)	1,523	—	1,523	—
IPO Costs(j)	—	1,079	—	3,956
Adjusted EBITDA	$ 48,653	$ 42,848	$ 96,615	$ 76,368
Net sales	$ 206,800	$ 180,889	$ 398,414	$ 329,635
Net income (loss) margin	2.1 %	(29.6)%	0.4 %	(13.7)%
Adjusted EBITDA margin	23.5 %	23.7 %	24.2 %	23.2 %

(a) Represents severance and other costs for our executive management changes.
(b) Represents non-cash stock-based compensation expense.
(c) Represents unrealized foreign currency transaction (gains) and losses associated with our international subsidiaries.
(d) Represents fees paid to external consultants for our strategic initiatives.
(e) Represents acquisition and integration costs primarily related to the acquisition of Radiant, the equity investment in Premier Pools & Spas, as well as other costs related to potential transactions.
(f) Represents the loss on extinguishment of debt in connection with our Refinancing (as defined below).
(g) Other costs consist of other discrete items as determined by management, primarily including (i) fees paid to external advisors for various matters, (ii) non-cash adjustments to record the step-up in the fair value of inventory related to the acquisitions of GL International, LLC and Radiant, which are amortized through cost of sales in the condensed consolidated statements of operations, and (iii) other items.
(h) Represents underwriting fees related to our offering of common stock that was completed in January 2022.
(i) Represents costs incurred related to a production facility fire in Odessa, Texas.
(j) These expenses are primarily composed of legal, accounting and professional fees incurred in connection with our initial public offering that are not capitalizable, which are included within selling, general and administrative expense.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash provided by operating activities and availability under our New Revolving Credit Facility. Historically, we have funded working capital requirements, capital expenditures, payments related to acquisitions, and debt service requirements with internally generated cash on hand and through our term loan and revolving credit facilities (as defined below under "—Our Indebtedness") and through the issuance of shares of our common stock. Our primary cash needs are to fund working capital, capital expenditures, debt service requirements, any acquisitions we may undertake and any share repurchases we may make. As of July 2, 2022, we had $25.2 million of cash, $313.7 million of outstanding borrowings and an additional $75.0 million of availability under our New Revolving Credit Facility, which was undrawn.

Our primary working capital requirements are for the purchase of inventory, payroll, rent, facility costs and other selling, general and administrative costs. Our working capital requirements fluctuate during the year, driven primarily by seasonality and the timing of raw material purchases. Our capital expenditures are primarily related to growth, including production capacity, storage and delivery equipment. We are in the midst of a multi-year capital plan to invest in our facilities, technology and systems, including investments to expand our fiberglass manufacturing capacity. We expect to fund these capital expenditures from net cash provided by operating activities.

We believe that our existing cash, cash generated from operations and availability under our New Revolving Credit Facility, will be adequate to fund our operating expenses and capital expenditure requirements over the next 12 months, as well as our longer-term liquidity needs. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect.

Our Indebtedness

On February 23, 2022, Latham Pool Products, Inc. ("Latham Pool Products"), our wholly owned subsidiary, entered into the New Credit Agreement with Barclays Bank PLC, which provides a senior secured multicurrency revolving line of credit in an initial principal amount of $75.0 million and a U.S. Dollar senior secured term loan facility in an initial principal amount of $325.0 million (the "Refinancing"). On the closing date, proceeds under the agreement were used to repay and replace $294.0 million under, and terminate, the Credit Agreement (as defined below) and for general corporate purposes.

New Revolving Credit Facility

The New Revolving Credit Facility may be utilized to finance ongoing general corporate and working capital needs and permits Latham Pools Products to borrow loans in U.S. Dollars, Canadian Dollars, Euros and Australian Dollars. The New Revolving Credit Facility matures on February 23, 2027. Loans outstanding under the New Revolving Credit Facility denominated in U.S. Dollars and Canadian Dollars bear interest, at the borrower's option, at a rate per annum based on Term SOFR or CDO (each, as defined in the New Credit Agreement), as applicable, plus a margin of 3.50%, or at a rate per annum based on the Base Rate or the Canadian Prime Rate (each, as defined in the New Credit Agreement), plus a margin of 2.50%. Loans outstanding under the New Revolving Credit Facility denominated in Euros or Australian Dollars bear interest based on EURIBOR or the AUD Rate (each, as defined in the New Credit Agreement), respectively, plus a margin of 3.50%. A commitment fee accrues on any unused portion of the commitments under the New Revolving Credit Facility. The commitment fee is due and payable quarterly in arrears and is, initially, 0.375% per annum and will, thereafter, accrue at a rate per annum ranging from 0.25% to 0.50%, depending on the First Lien Net Leverage Ratio (as defined in the New Credit Agreement, the "First Lien Net Leverage Ratio". The New Revolving Credit Facility is not subject to amortization.

We are also required to meet certain financial covenants, including maintaining specific liquidity measurements. There are also negative covenants, including certain restrictions on our ability to incur additional indebtedness, create liens, make investments, consolidate or merge with other entities, enter into transactions with affiliates, make prepayments with respect to certain indebtedness and make restricted payments and other distributions.

As of July 2, 2022 we had no outstanding borrowings under the New Revolving Credit Facility.

New Term Loan Facility

The New Term Loan matures on February 23, 2029. Loans outstanding under the New Term Loan bear interest, at the borrower's option, at a rate per annum based on Term SOFR (as defined in the New Credit Agreement), plus a margin ranging from 3.75% to 4.00%, depending on the First Lien Net Leverage Ratio, or based on the Base Rate (as defined in the New Credit Agreement), plus a margin ranging from 2.75% to 3.00%, depending on the First Lien Net Leverage Ratio. Loans under the New Term Loan are subject to scheduled quarterly amortization payments equal to 0.25% of the initial principal amount of the New Term Loan.

The obligations under the New Credit Agreement are guaranteed by certain of our wholly owned subsidiaries as defined in the security agreement. The obligations under the New Credit Agreement are secured by substantially all of the guarantors' tangible and intangible assets, including, but not limited to, their accounts receivables, equipment, intellectual property, inventory, cash and cash equivalents, deposit accounts and security accounts. The New Credit Agreement also restricts payments and other distributions unless certain conditions are met, which could restrict our ability to pay dividends.

As of July 2, 2022 we had $313.7 million of outstanding borrowings under the New Term Loan.

As of July 2, 2022, we were in compliance with all covenants under the New Revolving Credit Facility and the New Term Loan.

Revolving Credit Facility

On December 18, 2018, Latham Pool Products entered into an agreement (the "Credit Agreement") with Nomura Corporate Funding Americas, LLC that included a revolving line of credit (the "Revolver") and letters of credit ("Letters of Credit" or collectively with the Revolver, the "Revolving Credit Facility"), as well as a Term Loan (as described and defined below). The Revolving Credit Facility was utilized to finance ongoing general corporate and working capital needs with the Revolver of up to $30.0 million. The Revolving Credit Facility was terminated in connection with the Refinancing.

Term Loan Facility

Pursuant to the Credit Agreement, Latham Pool Products also borrowed $215.0 million in term loans (the "Term Loan"). The Term Loan was amended on May 29, 2019, to provide additional borrowings of $23.0 million, which was accounted for as a modification to the Term Loan, to fund our acquisition of Narellan Group Pty Limited and its subsidiaries (the "First Amendment"). On October 14, 2020, we amended the First Amendment to provide additional borrowings of $20.0 million, which was accounted for as new debt (the "Second Amendment"). The Second Amendment was further amended on January 25, 2021, to provide an additional incremental term loan of $175.0 million (the "Third Amendment"). On January 25, 2021, Latham Pool Products borrowed the incremental term loan, and the proceeds were used on February 2, 2021 to purchase and retire equity interests and to pay a distribution. On March 31, 2021, we amended our Term Loan to revise the applicable reporting requirements (the "Fourth Amendment"). On November 24, 2021, we amended the Term Loan to provide additional borrowings of $50.0 million (the "Fifth Amendment"). The proceeds from this incremental term loan were used to finance the Radiant Acquisition in part. The Term Loan, collectively with the First Amendment, Second Amendment, Third Amendment, the Fourth Amendment and the Fifth Amendment, is referred to as the "Amended Term Loan." The Amended Term Loan was terminated in connection with the Refinancing.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021
	(in thousands)	
Net cash (used in) provided by operating activities	$ (15,086)	$ 14,138
Net cash used in investing activities	(17,111)	(12,843)
Net cash provided by financing activities	13,438	17,881
Effect of exchange rate changes on cash	27	(1,969)
Net (decrease) increase in cash	$ (18,732)	$ 17,207

Operating Activities

During the two fiscal quarters ended July 2, 2022, operating activities used $15.1 million of cash. Net income, after adjustments for non-cash items, provided cash of $71.1 million. Cash used in operating activities was further driven by changes in our operating assets and liabilities, which used $86.2 million. Net cash used in changes in our operating assets and liabilities for the two fiscal quarters ended July 2, 2022 consisted primarily of a $45.7 million increase in trade receivables, a $53.2 million increase in inventories, a $1.3 million increase in income tax receivable, a $0.4 million increase in other assets, a $2.4 million decrease in accrued expenses and other current liabilities, partially offset by a $0.8 million decrease in prepaid expenses and other current assets, a $15.9 million increase in accounts payable, and a $0.2 million increase in other long-term liabilities. The change in trade receivables was primarily due to the timing of, and increase in, net sales, and the increase in inventories was primarily due to a strategic decision to carry more inventory in an attempt to minimize the impact of any supply chain interruptions as well as higher costs. The changes in accrued expenses and other current liabilities and accounts payable were primarily due to volume of purchases and timing of payments.

During the two fiscal quarters ended July 3, 2021, operating activities provided $14.1 million of cash. Net income, after adjustments for non-cash items, provided cash of $54.3 million. Cash provided by operating activities was further driven by changes in our operating assets and liabilities, which used $40.2 million. Net cash used in changes in our operating assets and liabilities for the two fiscal quarters ended July 3, 2021 consisted primarily of $44.5 million increase in trade receivables, a $9.5 million increase in inventories, a $3.7 increase in prepaid expenses and other current assets, and a $0.1 increase in income tax receivable, partially offset by an $11.0 million increase in accounts payable, a $5.6 increase in accrued expenses and other current liabilities, a $0.8 million decrease in other assets and a $0.1 million increase in other long-term liabilities. The change in trade receivables was primarily due to the timing of and increase in net sales, and the increase in inventories was primarily due to increased production and inventory build in response to existing and anticipated customer demand. The changes in accrued expenses and other current liabilities and accounts payable were primarily due to timing of payments.

Investing Activities

During the two fiscal quarters ended July 2, 2022, investing activities used $17.1 million of cash, primarily consisting of purchases of property and equipment for $16.8 million and the settlement of the net working capital adjustment related to the acquisition of Radiant for $0.4 million. The purchase of property and equipment was primarily to expand capacity for inventory production in order to meet increasing customer demand.

During the two fiscal quarters ended July 3, 2021, investing activities used $12.8 million of cash, primarily consisting of purchases of property and equipment for $13.0 million. The purchase of property and equipment was to expand capacity for inventory production in order to meet increasing customer demand.

Financing Activities

During the two fiscal quarters ended July 2, 2022, financing activities provided $13.4 million of cash, primarily consisting of proceeds from long-term debt borrowings in connection with the Refinancing of $320.1 million, proceeds from the sale of common stock of $257.7 million and borrowings on revolving credit facilities of $25.0 million, partially offset by repayments on long-term debt borrowings of $284.8 million, the repurchase and retirement of common stock of $272.7 million, repayments on revolving credit facility borrowings of $25.0 million, and deferred financing fees paid of $6.9 million.

During the two fiscal quarters ended July 3, 2021, financing activities provided $17.9 million of cash, primarily consisting of proceeds from our initial public offering, completed on April 27, 2021 (the “IPO”), net of underwriting discounts, commissions and offering costs of $399.3 million, proceeds from long-term debt borrowings of $172.8 million and borrowings on the revolving credit facilities of $16.0 million, partially offset by the repurchase and retirement of common stock of $281.6 million, payments on long-term debt borrowings of $161.3 million, dividends to Class A unitholders of $110.0 million, and payments on revolving credit facility borrowings of $16.0 million.

Contractual Obligations

There have been no material changes, outside of the ordinary course of business, to our contractual obligations during the two fiscal quarters ended July 2, 2022 from those described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in our Annual Report.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. Throughout the preparation of these financial statements, we have made estimates and assumptions that impact the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period. Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report. These estimates are based on historical results, trends and other assumptions we believe to be reasonable. We evaluate these estimates on an ongoing basis. Actual results may differ from estimates. For additional information about our critical accounting policies and estimates, see the disclosure included in our Annual Report as well as Note 2 - Summary of Significant Accounting Policies in the notes to the condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Recently Issued and Adopted Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position, results of operations or cash flows is disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential loss that may result from market changes associated with our business or with an existing or forecasted financial transaction. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through variable rate debt instruments and denominate some of our transactions in foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities. During the two fiscal quarters ended July 2, 2022, there have been no material changes to the information included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of July 2, 2022, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various lawsuits, claims and other legal proceedings arising out of or incidental to the conduct of our business. While it is not possible to determine the ultimate disposition of each of these matters, we do not believe that their ultimate disposition will have a material adverse effect on our business, financial position, results of operations or cash flows.

Item 1A. Risk Factors

We have disclosed under the heading "Risk Factors" in our Annual Report, the risk factors that materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed other than the risk factors set forth below. You should carefully consider the risk factors set forth in the Annual Report and the other information set forth elsewhere in this Form 10-Q. You should be aware that these risk factors and other information may not described every risk that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

We depend on a global network of third-party suppliers to provide components and raw materials essential to the manufacturing of our pools and price increases or deviations in the quality of the raw materials used to manufacture our products could adversely affect our net sales and operating results.

We rely on manufacturers and other suppliers to provide us with the components and raw materials to manufacture our products. The primary raw materials used in our products are polyvinyl chloride ("PVC") plastic, galvanized steel, fiberglass, aluminum, carbon fiber, Kevlar fiber, various resins, gelcoat, polypropylene fabric and roving. Other than occasional strategic purchases of larger quantities of certain raw materials, we generally buy materials on an as-needed basis. We are dependent upon the ability of our suppliers to consistently provide raw materials and components that meet our specifications, quality standards and other applicable criteria. Our suppliers' failure to provide raw materials and components that meet such criteria on a timely basis could adversely affect production schedules and our product quality, which in turn could materially adversely affect our business, financial condition and results of operations. While we believe that our relationships with our current suppliers are sufficient to provide the materials necessary to meet present production demand, these relationships may not continue or the quantity or quality of materials available from these suppliers may not be sufficient to meet our future needs, irrespective of whether we successfully implement our growth strategy, and we may not be able to obtain supplies on favorable terms. In the event of a shortage of our raw materials, we may not be able to arrange for alternative sources of such materials on a timely basis or on equally favorable terms. For example, in 2021 and continuing in 2022, we experienced and continue to experience raw material shortages, particularly of resin, which limited our fiberglass pool production and decreased our profitability in 2021 and may impact us similarly in 2022. Although we have taken actions to increase and diversify our resin and other raw materials supply base, we may not succeed in procuring sufficient supply of resin and other raw materials that we need, which could result in lost sales and a decline in our profitability.

In addition, increases in the cost of the raw materials used to manufacture our products could adversely affect our operating results. The cost of many of the raw materials we use in the manufacture of our products, such as steel, is subject to price volatility. Changes in prices of our raw materials have a direct impact on our cost of sales. Accordingly, we are exposed to the risk of increases in the market prices of raw materials used in the manufacture of our products. We are experiencing inflationary pressures in certain areas of our business, including with respect to prices of our raw materials and employee wages, although, to date, we have been able to offset such pressures, to some extent, through price increases and other measures. If we are unable to increase our prices or experience a delay in our ability to increase our prices or to recover such increases in our costs, our gross profit will suffer. In addition, increases in the price of our products to compensate for increased costs of raw materials may reduce demand for our products and adversely affect our competitive position.

An interruption of our production capability at one or more of our manufacturing facilities from accident, calamity or other causes, or events affecting the global economy, could adversely affect our business and results of operations.

We manufacture our products at a limited number of manufacturing facilities, and shifting production rapidly to another facility in the event of a loss of one of or a portion of one of our manufacturing facilities could lead to increased costs. A temporary or permanent loss of the use of one or more of our manufacturing facilities due to accidents, fire (such as the fire at our Texas facility in April 2022 that resulted in a total loss of the manufacturing facility), explosions, labor issues, tornadoes, other weather conditions, natural disasters, condemnation, cancellation or non-renewals of leases, terrorist attacks or other acts of violence or war or otherwise could have a material adverse effect on our operating costs. An interruption in our production capabilities could also require us to make substantial capital expenditures to replace damaged or destroyed facilities or equipment. Any of these events could result in substantial repair costs and higher operating costs.

Inflation could adversely impact our financial condition and results of operations.

Inflation in the United States began to rise significantly in the second half of the calendar year of 2021 and continued to increase in the first half of 2022. This is primarily believed to be the result of the economic impacts from the COVID-19 pandemic, including the global supply chain disruptions, strong economic recovery and associated widespread demand for goods, and government stimulus packages, among other factors. For instance, global supply chain disruptions have resulted in shortages in materials and services. Such shortages have resulted in inflationary cost increases for labor, materials, and services, and could continue to cause costs to increase as well as scarcity of certain products. Global supply chain disruptions continue to persist, and may become worse due to the war in Ukraine, the COVID-19 pandemic-related lock-downs in China or for other reasons. We are experiencing inflationary pressures in certain areas of our business, including with respect to prices of our raw materials and employee wages, although, to date, we have been able to offset such pressures, to some extent, through price increases and other measures. We cannot, however, predict any future trends in the rate of inflation or associated increases in our operating costs and how that may impact our business. In addition, the demand for our products may soften as we continue to increase the prices of our products to offset the inflationary pressure. To the extent we are unable to recover higher operating costs resulting from inflation or otherwise mitigate the impact of such costs on our business, or to continue to grow our sales volumes, our net sales and gross margins could decrease, and our financial condition and results of operations could be adversely affected.

Economic and political change could adversely impact our financial condition and results of operations.

Our business has been and could continue to be adversely affected by events over which we have limited or no control, including pandemics, recessions, general or specific inflations, trade restrictions, changes to tax laws, changes to other laws, and armed conflicts, among others. These events may disrupt the supply and prices of raw materials or labor required to produce the products we sell, affect the ability of our customers to operate their businesses such that they lessen their purchases from us, and affect the ability of potential consumers of our products to purchase them. These effects may occur in any of the markets in which we compete. The current military conflict between Russia and Ukraine could adversely affect our operations, and related sanctions and other actions that have been or may be enacted by the United States, the European Union, or other governing entities could adversely affect our business, our business partners, our suppliers, and our customers. While our operations are primarily within North America and we have no operations in Russia or Ukraine, and we do not have direct exposure to customers and vendors in Russia and Ukraine, we continue to monitor any adverse impact that such events may have on the global economy in general, on our business and operations and on the businesses and operations of our business partners, suppliers and customers.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 10, 2022, we approved a stock repurchase program, which authorized us to repurchase up to $100.0 million of our shares of common stock over the next three years. We may effect these repurchases in open market transactions, privately negotiated purchases or other acquisitions. We are not obligated to repurchase any of our shares of our common stock under the program and the timing and amount of any repurchases will depend on market conditions, our stock price, alternative uses of capital, the terms of our debt instruments and other factors. The following table shows the total number of shares repurchased on a trade date basis during the fiscal quarter ended July 2, 2022.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan
				(in thousands)
April 3, 2022 - April 30, 2022	—	$ —	—	$ —
May 1, 2022 - May 28, 2022	—	—	—	100,000
May 29, 2022 - July 2, 2022	2,026,231	7.40	2,026,231	85,000
Total	2,026,231	$ 7.40	2,026,231	$ 85,000

Item 6. Exhibits

Exhibit No.	Description
10.1*	Employment Agreement by and between Robert L. Masson II and Latham Pool Products, Inc., dated June 9, 2022
10.2*	Retirement Agreement by and between J. Mark Borseth and Latham Pool Products, Inc., dated June 12, 2022
31.1*	Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a) (filed herewith)
31.2*	Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a) (filed herewith)
32.1**	Certification by the CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2**	Certification by the CFO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** A signed original of the written statement required by Section 906 has been provided to the Company and will be retained by the Company and forwarded to the SEC or its staff upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date August 11, 2022

LATHAM GROUP, INC.

/s/ Robert L. Masson II

Robert L. Masson II
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

This Agreement is made on the 9th day of June 2022, between Latham Pool Products, Inc. ("Company") and Robert L. Masson II ("Employee") and is effective as of July 11, 2022 (the "Effective Date"). As used in this Agreement, "Company" includes Latham Pool Products, Inc., its predecessors, successors, and assigns.

W I T N E S E T H

WHEREAS, Company desires to employ Employee upon the terms and conditions hereinafter stated, and

WHEREAS, Employee wishes to be employed by Company upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and intending to be legally bound thereby, Company and Employee agree as follows:

1. Employment. Company shall employ Employee, and Employee hereby accepts employment by Company, for the period and upon the terms and conditions contained in this Agreement.

2. Term. This Agreement will take effect on the Effective Date and shall continue unless sooner terminated as hereinafter provided ("Term").

3. Titles and Duties. During the Term, Employee shall serve as Company's Chief Financial Officer and shall use Employee's skills and render services to the best of Employee's abilities in contributing to the operations and success of the Company, all in accordance with the directives of the Company's Chief Executive Officer ("CEO") and any other person designated by the CEO or Board of Directors (the "Board"), to whom Employee will report. Employee's principal place of business will initially be home in New Hampshire, with regular travel to Latham, NY and other locations required.

4. Policies. Except as provided herein, Employee shall be covered by and agrees to comply with all policies and procedures of the Company and its parent, Latham Group, Inc. ("Parent") on the same terms as are applicable to other full-time executive employees of Company, and as may be amended from time to time.

5. Extent of Services.

   a. Employee shall devote substantially all of Employee's business time, skills, and attention to the performance of Employee's duties hereunder and use Employee's best efforts in such endeavors.

   b. Employee shall not engage in any business activity that conflicts with Employee's duties hereunder or with the interests of the Company, regardless of whether such activity is pursued for gain or profit, although Employee may manage Employee's passive personal investments. Subject to paragraph 5.c. below, Employee also may participate in reasonable and customary professional, educational, welfare, social, and civic activities, as long as they do not adversely impact the performance of Employee's duties hereunder or otherwise conflict with the interests of the Company.

c. Employee shall not participate in any expert networks or serve on any for-profit boards without the prior approval of the Board or CEO. It is understood and agreed that Employee may continue to serve on the Board of Directors of Tech-Etch, Inc.

d. If requested by Company, during the Term, Employee shall serve as a director, manager or officer of Company or Parent or any Affiliate (as defined below) of Company for no additional compensation. For purposes of this Agreement, (i) "Affiliate" means, with respect to any Person (as defined below), any other Person directly or indirectly controlling, controlled by or under common control with such specified Person, and (ii) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

6. Compensation.

a. Base Compensation. For all services rendered under this Agreement, Company shall pay Employee an initial base salary of $420,000 per year ("Base Compensation"), subject to applicable withholdings and deductions, and payable in regular installments in accordance with Company's generally applicable payroll practices. During the Term of this Agreement, the CEO or Board may, in his, her or its sole discretion, increase, but not decrease, Employee's Base Compensation, except for across the board reductions affecting all or substantially all senior executives of the Company.

b. Bonuses. During the Term, commencing in 2022, Employee is entitled to participate in the Management Incentive Bonus (MIB) program, as in effect and established from time to time by the Board or CEO. Employee's annual bonus target is 60% of Base Compensation at 100% performance ("Annual Bonus"). Subject to Employee's employment through December 31, 2022, the Annual Bonus for 2022 shall be guaranteed at not less than $252,000 (60% of base salary). The MIB represents discretionary payments that are designed to reward Employee for Employee's active contribution assisting Company to achieve its business objectives. Any payments under the MIB are subject to Employee's continued employment through the applicable payment date. The MIB may be amended from time to time at the discretion of Company and without notice to Employee.

c. Annual Equity. Employee shall be eligible to participate in the annual equity incentive program of Parent and receive grants of equity or equity-based awards which may be options (each, an "Equity Award"), with vesting over four years, subject to the terms and conditions of Parent's Omnibus Equity Incentive Plan (the "EIP") and Parent's standard form of award agreement. Employee's Equity Award for the 2022 calendar year shall be a number of options to purchase Parent's common stock with an equivalent value of $378,000 on the date of grant. During the Term for 2023 and annually thereafter, Employee's Equity Award shall have a target value of (150% of Base Compensation) $630,000 as of the date of grant and it is intended that such award be made in options.

d. Sign-on Grant. As soon as reasonably practicable following the Effective Date, Employee shall be granted a one-time award of a number of restricted stock units ("Sign On RSUs") with an equivalent value of $315,000 on the date of grant. The Sign On RSUs shall vest over three years and be subject to the terms and conditions of the EIP and Parent's standard form of award agreement. The grant of the Equity Awards and the Sign On RSUs are subject to the approval of the compensation committee of the board of directors of Parent and the compensation committee determination of the value of such awards and the grant date shall be binding.

7. Benefits.

a. Health and Welfare Benefits. Except as otherwise provided for in this Agreement, Employee shall be eligible to participate in all Company employee benefits policies and plans in effect from time to time, on the same terms and conditions applicable to other full-time executive employees of Company, and in accordance with the terms of those policies and plans. Nothing in this Agreement shall restrict Company from adding, discontinuing, amending or modifying any policies or benefit plans, provided such changes do not conflict with the terms of this Agreement. The Company shall reimburse you (on or within 30 days after you pay such costs) 70% of the cost of your COBRA premium payments to the extent you elect such coverage from your prior employer for the lesser of (i) two months or (ii) the date you commence medical benefits on the Company plan.

b. Paid Time Off. Employee will be eligible for a maximum of five weeks of paid time off during each twelve-month period worked (which will accrue weekly provided that for 2022, two weeks of such five weeks shall be deemed accrued as of the Effective Date), provided that in no event may a vacation be taken at a time when to do so could, in the reasonable judgment of the Board, adversely affect the business of the Company.

c. Professional Expenses. Company will reimburse Employee for reasonable expenses incurred by Employee in connection with the performance of Employee's duties under this Agreement, subject to Company's policies and, to the extent applicable, the Board's approved annual budget. The Employee shall relocate family to the Latham, NY area, during the 18 month period following the Effective Date and if such relocation occurs while employed by the Company, the Company will reimburse moving expenses up to $150,000 (less applicable taxes and withholdings), subject to a separate relocation policy. If Employee's employment is terminated for Cause or Employee resigns without Good Reason prior to the first anniversary of such payment, then Employee shall be required to repay the Company 100% of any relocation paid or reimbursed to Employee.

d. Automobile and Cell Phone Allowance. Employee will receive a monthly automobile allowance of $700 for Employee to drive the automobile of Employee's choice and a $50 monthly cell phone allowance. This allowance is taxable and subject to applicable withholdings and deductions.

8. Performance Review. The CEO may review Employee's performance annually in accordance with the applicable performance evaluation process.

9. Confidentiality. In the course of performing Employee's duties and responsibilities as a Company employee, Employee has had and will have access to and be entrusted with detailed confidential and proprietary information and trade secrets ("Confidential Information"), the disclosure of any of which or the use of same by Employee would be highly detrimental to Company's interests. By way of illustration, Confidential Information may include information or material which has not been made generally available to the public, such as: (a) corporate information, including plans, strategies, methods, policies, resolutions, negotiations or litigation; (b) marketing information, including strategies, methods, customer identities or other information about customers, prospect identities or other information about prospects, or market analyses or projections; (c) financial information, including cost and performance data, debt arrangements, equity structure, investors and holdings, purchasing and sales data and price lists; and (d) operational and technological information, including plans, specifications, manuals, forms, templates, software, designs, methods, procedures, formulas, discoveries, inventions, improvements, concepts and ideas; and (e) personnel information, including personnel lists, reporting or organizational structure, resumes, personnel data, performance evaluations and termination arrangements or documents. Confidential Information also includes information received in confidence by the Company from its respective customers or suppliers or other third parties. Unless otherwise agreed in writing by Employee and Company, Employee hereby agrees that during and after the termination of Employee's employment with Company, Employee will not, directly or indirectly, disclose to any person outside of Company or in any way make use of (other than for Company's benefit), in any manner, any of Company's Confidential Information or other proprietary information or trade secrets or otherwise infringe upon Company's proprietary rights unless such disclosure is made by Employee in furtherance of Company's interests and Employee's responsibilities under this Agreement.

Notwithstanding the foregoing, Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of Confidential Information or other proprietary information or trade secrets that (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Employee files a lawsuit for retaliation by Company for reporting a suspected violation of law, Employee may disclose the Confidential Information or other proprietary information or trade secrets to Employee's attorney and use such in the court proceeding, if Employee (a) files any document containing Confidential Information or other proprietary information or trade secrets under seal; and (b) does not disclose the Confidential Information or other proprietary information or trade secrets, except pursuant to court order. In the event of any such disclosure by Employee, Employee shall notify the Company and provide a copy of such disclosure. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit the Executive from reporting possible violations of federal law or regulation to or otherwise cooperating with or providing information requested by any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, Congress and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures and the Executive is not required to notify the Company that the Executive has made such reports or disclosures.

For purposes of this Section 9, all references to the Company shall include all of its affiliates.

10. Termination by Company.

a. Termination for Cause. Company may immediately terminate Employee's employment hereunder for "Cause". For purposes of this Agreement, "Cause" means: (a) Employee's breach of this Agreement or Company or Parent policy; (b) Employee's material failure or refusal to perform Employee's duties as a Company employee (including, without limitation, Employee's material failure to follow the lawful direction of the CEO or Board or Employee's gross negligence, willful misconduct, chronic absenteeism, or habitual neglect in the performance of such duties); (c) Employee's conviction or entry of a nolo contender plea to a felony, a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any other crime which materially affects Company's or any of its affiliate's business; (d) Employee's plea of guilty or nolo contender or indictment for a crime (other than a minor traffic violation or misdemeanor) or any offense involving moral turpitude, when the CEO or Board in his, her, or its reasonable discretion determines that Employee, as a result of such indictment, can no longer satisfactorily perform the duties of Employee's job or that Employee's continuing service would have an adverse effect on the business interests or reputation of Company or any of its affiliates; (e) Employee's commission of any act of fraud, embezzlement, misappropriation, dishonesty, or theft; (f) Employee's illegal use of drugs in the workplace; and (g) Employee's failure to honor Employee's fiduciary duties to Company, including the duty to act in the best interests of Company. Cause will not be deemed to exist under (a), (b) and (g) of this paragraph unless and until Company provides Employee written notice of the reason and a fifteen (15) day opportunity to cure (if reasonably capable of prompt cure) and Employee fails to cure. Notwithstanding the foregoing, if the Board reasonably determines that its fiduciary duty requires, Company may suspend Employee with pay during the pendency of an investigation as to whether grounds for Cause exist.

b. Termination Without Cause. If, during the Term, Company terminates Employee's employment for any reason other than Cause, Employee's disability, or following Employee's notice of resignation, then such termination shall be deemed "without Cause."

11. Termination by Employee.

a. Termination by Employee for Good Reason. Employee may terminate Employee's employment hereunder for "Good Reason". Resignation by Employee shall be for "Good Reason" where, unless otherwise consented to in writing by Employee, Company causes:

(i) A material decrease in Employee's Base Compensation or target annual bonus, except for across the board reductions affecting all or substantially all executives of the Company;

(ii) the relocation by the Company of the Employee's principal place of business for the performance of his duties to a location that is more than fifty (50) mile radius from its current location (provided that if Employee is permitted to work remotely it shall not constitute Good Reason under this clause (ii)); or

(iii) a material diminution in Employee's title, duties, and responsibilities.

Notwithstanding the foregoing, Good Reason will not exist unless: (i) Employee provides Company written notice of the existence of Good Reason within ninety (90) days of its initial existence; (ii) Company has a thirty (30) day opportunity to remedy the Good Reason condition and does not so remedy the condition; and (iii) Employee separates from service within thirty (30) days after the cure period described in clause (ii).

b. Termination by Employee With Written Notice. Employee may terminate Employee's employment hereunder without Good Reason by notifying Company of Employee's resignation no less than sixty (60) days prior to the effective date of the resignation ("Adequate Notice"). Company may, at its option, terminate Employee's employment at any time during such notice period (if Employee does not have Good Reason) and such termination will not be considered a termination without Cause, provided Employee's compensation and benefits shall continue to through the end of the notice period.

12. Death or Disability. If, during the Term, Employee becomes disabled such that he is not able to effectively discharge Employee's duties under this Agreement, with or without reasonable accommodation, for six (6) months in any twelve (12) month period, this Agreement shall terminate and Employee's employment hereunder will terminate as of the end of the calendar month in which Company, in its sole and exclusive discretion,

makes this determination. If the Employee dies the Employee's heirs, beneficiaries, successors, or assigns shall not be entitled to any of the compensation or benefits to which Employee is entitled under this Agreement, except: (a) to the extent specifically provided in this Employment Agreement (b) to the extent required by law; or (c) to the extent that such benefit plans or policies under which Employee is covered provide a benefit to the Employee's heirs, beneficiaries, successors, or assigns.

13. Consequences of Separation From Service.

a. If, during the Term, Employee's employment is terminated by the Company without Cause pursuant to Paragraph 10.b. or Employee resigns for Good Reason (as defined in Paragraph 11.a), Company will pay Employee (i) any earned but unpaid Base Compensation through the last day of employment; (ii) any earned but unpaid bonus for any completed prior year; (iii) for any accrued but unused paid time off days up to a maximum of two (2) weeks; (iv) for continuation of health benefits coverage through COBRA for the duration of the severance period (as defined in Section 13.d) at a pro-rata cost share determined at the time of separation from service (and any COBRA coverage after the severance period shall be paid for entirely by Employee); (v) twelve (12) months of Employee's annual Base Compensation. Notwithstanding the foregoing, if the severance payment and any other benefits payable under this Agreement, either apart from or together with other payments to Employee from Company or its affiliates, would constitute a "parachute payment" (as defined in Section 280G of the Internal Revenue Code), such severance payment shall be (a) reduced in reverse chronological order to the largest amount as will result in no portion of the severance payment under this paragraph being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code or (b) delivered in full, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive, on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be subject to the excise tax imposed under Section 4999 of the Code.

b. If, during the Term of this Agreement, Employee's employment hereunder is terminated for Cause (as defined herein), due to Employee's disability or death or Employee terminates Employee's employment other than for Good Reason (as defined herein), Company will pay Employee (or in the case of death, the Employee's heirs or personal representatives): (i) any earned and unpaid Base Compensation through the last day of employment; (ii) any paid time off to which Employee is entitled under Company policy; and (iii) any other vested benefits to which Employee is entitled, in accordance with the terms of the applicable plans. Company shall have no obligation to make any further payments (salary, incentive compensation or otherwise) or provide any further benefits to Employee except as otherwise provided for herein or under the applicable terms of such benefit plans.

c. If Employee resigns without Adequate Notice and Company terminates Employee's employment during the notice period such termination will not be considered a termination without Cause and Company will be under no obligation to continue to pay Employee Employee's Base Compensation or pay for Employee's continued participation in Company group health plans.

d. The foregoing payments are subject to applicable withholdings and deductions, and in accordance with Company's generally applicable payroll practices. Payment of the benefits provided for in paragraph 13(a)(v) (to the extent not vested by statute or the terms thereof on the business day prior to the Employee's separation from service date) are contingent upon Employee's execution of a separation agreement and general release of any and all claims against Company, in a form provided by the Company, with such release being effective and irrevocable within sixty (60) days following Employee's separation from service date. Provided these contingencies are satisfied and subject to Employee's compliance with his post-employment obligations, Company will pay the amount provided for in paragraph 13(a)(v) ratably over a twelve (12) month period (the "severance period") in accordance with the Company's regular compensation payment practices beginning after Company receives the executed separation agreement and general release, provided that if the time period for executing and revoking the release begins in one taxable year and ends in a second taxable year, no such payments shall be made until the second taxable year and the first such payment shall include the cumulative amount of any payments (without interest) that would have been paid prior to such date if not for the delay.

e. Company shall have no obligation to make any further payments (salary, bonus or otherwise) or provide any further benefits to Employee except as otherwise provided under the applicable terms of this Agreement or such benefit plans.

f. All payments under this Agreement may be reduced by applicable taxes and withholdings. Company intends for the foregoing payments either to satisfy the requirements of Section 409A of the Internal Revenue Code, and all applicable guidance promulgated thereunder (together, "Section 409A") or to be exempt from the application of Section 409A, and Agreement shall be construed and interpreted accordingly. To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, or to the extent any provision in this Agreement must be modified to comply with Section 409A, such provision shall be read, or shall be modified, as the case may be, in such a manner so that no payment due to the Employee shall be subject to an "additional tax" within the meaning of Section 409A(a)(1)(B). If necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of the Executive's separation from service that would otherwise be due hereunder within six (6) months after such separation shall be delayed until the first business day of the seventh month following the Termination Date and the first such payment shall include the cumulative amount of any payments (without interest) that would have been paid prior to such date if not for such restriction. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A. To the extent required to avoid an accelerated or additional tax under Section 409A, amounts reimbursable to the Employee under this Agreement shall be paid to the Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to the Employee) during any one year may not affect amounts reimbursable or provided in any subsequent year. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Employee by Section 409A or damages for failing to comply with Section 409A.

g. If Employee's employment is terminated for any reason, then Employee shall be deemed to, and shall, resign (i) from any board or other governing body to which he has been appointed or nominated by or on behalf of Company or its Affiliates (including Parent), and (ii) from any position with Company or any of its Affiliates (including Parent), including, but not limited to, as an officer of any such Affiliate and Employee will execute any documents reasonably required to effectuate the foregoing and failure to do so shall result in a termination for Cause.

14. Inventions and Patents. The Employee acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information (whether or not patentable) which relate to the actual or reasonably anticipated business, research and development or existing or future products or services of the Company and its affiliates and which are conceived, developed or made by the Employee while employed ("Work Product") belong to the Company. The Employee shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after Employee's employment) to establish and confirm such ownership (including executing any assignments, consents, powers of attorney and other instruments).

15. Noncompetition.

a. Employee acknowledges and agrees that the Company is engaged in a highly specialized and competitive business and that by virtue of Employee's position, and the Company's confidential information that the Employee has or will receive, the Employee's engaging in business which is in competition with the Company will cause the Company great and irreparable harm.

b. Employee further acknowledges that the Company has invested and/or will invest substantial time, effort and finances into helping Employee develop Employee's relationships with the Company's customers.

c. Consequently, Employee covenants and agrees that during Employee's employment and for a two (2) year period after Employee's employment with the Company ends, whether voluntarily or involuntarily, Employee will not either directly or indirectly, individually or through any person, firm, corporation or other entity, whether as owner, partner, investor, operator, manager, officer, director, consultant, agent, employee, co-venturer, advisor, representative or otherwise, engage, participate, assist or invest or actively prepare to engage, participate, assist or invest in the pool industry, or any other industries in which the Company has done business during Employee's employment with the Company or which the Company was actively considering during such period. All references to the Company in this Paragraph 15 include the affiliates of the Company and Parent. The restrictions set forth in this Paragraph 15 shall apply to any conduct in North America and any other geographical area in which the Company operates or provides services or is actively preparing to operate or provide services as of the last date of Employee's employment. Employee acknowledges and agrees that he has been advised of his right to consult with counsel prior to executing this Agreement.

16. Nonsolicitation.

a. Employee acknowledges and agrees that during the course of Employee's employment by the Company, Employee will have access to, come into contact with and become aware of some, most or all of the Company's Confidential Information, and information pertaining to customers, past, present, and prospective, as well as the specific contact information for key personnel at the Company's customers. Employee further acknowledges and agrees that the disclosure of such Confidential Information, or customer information, absent the Company's consent, will cause the Company great and irreparable harm.

b. Employee covenants and agrees that during Employee's employment and for a two (2) year period after Employee's employment with the Company ends, whether voluntarily or involuntarily, Employee will not, either directly or indirectly, solicit, attempt to solicit, or accept business nor will Employee assist any other entity, either directly or indirectly, in soliciting or attempting to solicit, or accept business from any customers of the Company, whether an individual or entity, with whom Employee, Company or any employee of the Company, had contact or dealings with on behalf of the Company, at any time during the five (5) year period preceding the termination of Employee's employment. Employee further covenants and agrees that for a period of two (2) years from the end of Employee's employment relationship with the Company, whether voluntary or involuntary, Employee will not directly or indirectly, either individually or through any person, firm, corporation or other entity, solicit or attempt to solicit, offer employment to or hire in any capacity, or entice away or in any other manner persuade or attempt to persuade any officer, director, agent, representative or employee of the Company to leave Employee's/her employment with the Company.

c. Employee covenants and agrees that during Employee's employment and at all times thereafter, whether terminated voluntarily or involuntarily, Employee will not make any oral or written statements or publications with respect to Company, its officers, directors and/or its employees that disparages or denigrates Company.

Notwithstanding anything in this Section 16.b or elsewhere in this Agreement to the contrary, nothing herein will be deemed to prohibit (i) truthful communications in response to a request by a regulator or self-regulatory organization, (ii) truthful responses to a subpoena or other legal process, (iii) any truthful testimony or pleadings in any legal, quasi-legal, or administrative proceeding, or (iv) exercising any applicable protected rights under Section 7 of the National Labor Relations Act (NLRA).

d. All references to the Company in this Paragraph 16 include the Affiliates of the Company including Parent.

17. <u>Enforcement of Certain Provisions</u>.

a. Employee acknowledges and agrees that any violation of Paragraphs 9, 15 and 16 (other than an inadvertent isolated and immaterial violation), including divulgence of confidential information as well as information about the Company's equipment or processes, to unauthorized persons is sufficient reason for immediate dismissal, which would constitute termination for Cause.

b. Employee acknowledges and agrees that Employee's breach of Paragraphs 9, 15 or 16, will result in material, irreparable injury to the Company for which any remedy at law will not be adequate. Moreover, it will not be possible to measure damages for such injuries precisely and, in the event of such a breach or threat of breach, the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Employee from engaging in activities prohibited by this Agreement without the need to post a bond, together with such other relief as may be required to enforce specifically any of the terms of this Agreement. Employee consents to such temporary, preliminary, or permanent injunctive relief. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other available remedies for breach or threatened breach of this Agreement, including recovery of damages, costs, and attorneys' fees to the extent permitted by law. Nothing in Paragraph 26, Arbitration, precludes Company from seeking relief from a court of competent jurisdiction as necessary pursuant to the terms of this Paragraph.

c. If the Company is required to enforce any of its rights under Paragraphs 9, 15 or 16 through legal proceedings, the Employee shall reimburse the Company for all reasonable costs, expenses and counsel fees incurred by the Company in connection with the enforcement of its rights under this Agreement, as determined by a court of competent jurisdiction.

d. Employee acknowledges and agrees that the restrictions contained in Paragraphs 9, 15, and 16 are reasonable in scope and Employee will not raise any issue regarding the reasonableness of Paragraphs 9, 15, and 16 as a defense in any proceeding to enforce Paragraphs 9, 15, and 16 of the Agreement.

e. If one or more provisions of Paragraphs 9, 15, and 16 of this Agreement are determined by a court of competent jurisdiction to be invalid, illegal, or unenforceable, Employee acknowledges and agrees the validity, legality, and enforcement of the remaining provisions of Paragraphs 9, 15, and 16 of the Agreement shall not in any way be affected or impaired. Furthermore, if a court of competent jurisdiction determines that any of the restrictions contained in Paragraphs 9, 15, and 16 of this Agreement are not reasonable, the Company and Employee agree that the court may modify such provisions as the court deems reasonable.

f. Employee acknowledges and agrees that for a period of two (2) years from Employee's separation of employment from the Company, Employee will: (i) before accepting an offer of employment, inform such employers of the provisions set forth in Paragraphs 9, 15, 16, and 17 of this Agreement; and (ii) within two (2) business days of accepting an offer of employment with another employer, notify the Company of the name and address of the new employer and the title of the position accepted.

g. Employee acknowledges and agrees that the restrictions set forth in Paragraphs 9, 15, and 16 (i) are intended to protect the interest of the Company in its Confidential Information, goodwill and established employee, customer, supplier, consultant and vendor relationships, and agrees that such restrictions are reasonable and appropriate for this purpose; (ii) are an essential inducement to the Company to enter into this Agreement; and (iii) shall not impose an undue hardship on Employee and Employee's ability to earn a livelihood.

18. Notices. Any notice required or desired to be given under this Agreement shall be deemed given by personal delivery, overnight courier, or by certified or registered mail, postage prepaid, return receipt requested to the addresses set forth below. Notice shall be deemed given immediately if delivered in person or within three days after mailing by certified mail to the following addresses:

Robert L. Masson, II
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****

To the Company
Latham Pool Products. Inc.
Attn: Melissa Feck
787 Watervliet Shaker Rd
Latham, NY 12110

Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this paragraph for the giving of notice.

19. Assignment. Employee acknowledges that Employee’s services are unique and personal and that Employee therefore may not assign or delegate Employee’s rights or duties under this Agreement. This Agreement shall inure to the benefit of and be binding on Company, its successors and assigns, including, without limitation, any entity which is or may become affiliated with or related to Company.

20. Waiver. Failure to insist upon strict compliance with any term or condition of this Agreement shall not be deemed a waiver of such term or condition. The waiver of a breach of any term or condition of this Agreement by any party shall not be deemed to constitute the waiver of any other breach of the same or any other term of condition.

21. Cooperation. Subject to the terms of this Agreement, in the event that any action, suit, claim, hearing, proceeding, arbitration, mediation, audit, assessment, inquiry or investigation (whether civil, criminal, administrative or otherwise) (each, a “Proceeding”) is commenced by any governmental authority or other Person in connection with Company or any of its Affiliates, Employee agrees to cooperate in good faith with Company or any such Affiliate to defend against such Proceeding and, if an injunction or other order is issued in any such Proceeding, to cooperate in good faith with Company or any such Affiliate in its efforts to have such injunction or other order lifted. Such cooperation shall include, but not be limited to, attending any telephone or in-person meetings, conferences, interviews, depositions, hearings, proceedings or preparation sessions, and providing access to any relevant books and records in Employee’s control, in each case, as reasonably requested by Company or any of its Affiliates or any of their respective representatives. The Company shall reimburse Employee for all reasonable out of pocket expenses in connection with such requests for cooperation.

22. No Other Contracts. Employee represents and warrants to Company that as of the date hereof and as of the Effective Date (i) neither the execution and delivery of this Agreement by Employee nor (ii) the performance of Employee’s obligations hereunder, shall constitute a default under or a breach of any other agreement or contract to which Employee is a party or by which Employee is bound, nor shall the execution and delivery of this Agreement by Employee nor the performance of Employee’s duties and obligations hereunder give rise to any claim or charge against either Employee or Company based upon any other contract, or agreement to which Employee is a party or by which Employee is bound, (iii) Employee is not now subject to any covenants against competition or similar covenants, any court order or other legal obligation, or other agreement that would affect the performance of his obligations hereunder or would otherwise conflict with, prevent or restrict the full performance of Employee’s duties and obligations to the Company hereunder during or after the Term, (iv) there are no facts or circumstances or actions by the Employee which would result in material economic or reputational damage to the Company, and (v) Employee is lawfully permitted to work in the United States on and after the Effective Date. Employee’s employment is contingent upon the completion of a background investigation and reference check satisfactory to the

Company in its discretion. Employee covenants that he will not disclose or use on behalf of the Company any proprietary information of a third party without such party's consent. Any breach of this Section 22 shall constitute Cause. Employee shall indemnify and hold harmless Company against any and all claims that execution and delivery of this Agreement by Employee or Employee's performance of his obligations hereunder constitutes a default under or a breach of any other agreement or contract to which Employee is a party or by which Employee is bound.

23. Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof, and the parties hereto have made no agreements, representations, or warranties relating to the subject matter of this Agreement that are not set forth herein; this Agreement supersedes the terms of all other employment or similar agreements entered into by Company or its affiliates and Employee. No modification of this Agreement shall be valid unless made in writing and signed by the parties hereto. Paragraph headings are for convenience only, and are neither a part of this Agreement nor a limitation of the scope of the particular paragraphs to which they refer. This Agreement has no effect on any other agreements already in place between Company and Employee regarding stock options or ownership shares in the Company.

24. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New York, without reference to conflict of law principles thereof.

25. Severability. The provisions of this Agreement are severable, and if any provision(s) or any part of any provision(s) is held to be illegal, void or invalid under applicable law, such provision(s) may be changed to the extent reasonably necessary to make the provision(s), as so changed, legal, valid and binding, and to reflect the original intentions of the parties as nearly as possible in accordance with applicable law. This Agreement shall be construed according to its fair meaning and not strictly for or against either party.

26. Arbitration. With the exception of disputes subject to Paragraph 17(b) above, any dispute between the parties arising out of or related to this Agreement shall be conducted pursuant to the Employment Arbitration Rules of the American Arbitration Association. All arbitration shall be governed by the Federal Arbitration Act and the arbitration decision shall be enforceable in the courts in the State of New York. This obligation to arbitrate shall survive even if this Agreement shall be alleged to be rescinded or terminated. The arbitration hearing shall be convened in Albany, New York and shall take place within six months from the service of the statement of claim unless the hearing cannot fairly and practically be so convened.

27. Survival. All provisions of this Agreement that are intended to survive its termination, including but not limited to Paragraphs 9, 15, 16 and 17, shall so survive.

28. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof,

individually or taken together, shall bear the signatures of all of the parties reflected hereon as signatories.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Latham Pool Products, Inc.

/s/ Scott M. Rajeski

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Robert L. Masson, II

/s/ Robert L.
Masson, II

RETIREMENT AGREEMENT

This Retirement Agreement (the "Agreement"), dated as of June 12, 2022 (the "Effective Date"), is made and entered into by and among Latham Pool Products, Inc. (the "Company"), Latham Group, Inc., ("Parent") and J. Mark Borseth (the "Employee," and collectively, the "Parties").

WHEREAS, the Employee is employed by the Company pursuant to the employment agreement dated as of February 12, 2020 as amended April 6, 2022, between the Employee and the Company (collectively the "Employment Agreement");

WHEREAS, pursuant to the terms of the Employment Agreement, the Employee serves as the Company's Chief Financial Officer;

WHEREAS, the Employee desires to retire from the Company and any of its subsidiaries and affiliates, including Parent (the "Company Group") and Employee and the Company have agreed that Employee shall cease serving as the Chief Financial Officer of the Company Group effective as of July 11, 2022 (the "Resignation Date") and in order to provide a smooth transition the Employee shall continue to be employed as a non executive employee of the Company until December 31, 2022 (the "Retirement Date");

WHEREAS, on the Resignation Date, the Employee shall resign as Chief Financial Officer of the Company Group and the Employee shall cease to be an executive officer of the Parent provided that Employee shall continue to be a non executive employee of the Company until the Retirement Date;

WHEREAS, the Company wishes to provide the Employee with a retirement package, which is conditioned on the Employee's timely execution of this Agreement and fulfilling his obligations in this Agreement;

NOW THEREFORE, in consideration of the promises, mutual covenants, and other good and valuable consideration set forth in this Agreement, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Termination of Employment; Resignation from Positions

a. The Parties agree that the Employee shall resign as Chief Financial Officer of the Parent and the Company and shall cease serving as an executive officer as of the Resignation Date. Effective as of the Resignation Date, Employee's employment and any and all titles, positions, and appointments that the Employee holds with any member of the Company Group, whether as an officer, director, employee, consultant, trustee, committee member, agent, or otherwise, is hereby terminated as of the Resignation Date, and the Employee shall be deemed to have resigned from all such titles, positions, and appointments as of the Resignation Date; provided that Employee shall remain as a non – executive employee of the Company until the Retirement Date. Effective as of the Resignation Date, the Employee shall have no authority to act on behalf of any member of the Company Group and shall not hold himself out as having such authority, enter into any agreement, incur any obligations on behalf of any member of the

Company Group, commit any member of the Company Group in any manner, or otherwise act in an executive or other decision-making capacity with respect to any member of the Company Group. The Employee agrees to promptly execute such documents as the Company Group, in its sole discretion, shall deem necessary to effect such resignations. On the Retirement Date, the Employee shall resign from his position as a non executive employee of the Company.

b. Transition Period. During the period from the Resignation Date until the Retirement Date (the "Transition Period"), the Employee shall serve as a Strategic Advisor to the Chief Executive Officer ("CEO").

2. Entitlements

a. Accrued Benefits. Regardless of whether or not the Employee signs this Agreement, the Employee shall be entitled to receive (x) any accrued but unpaid base salary through the Retirement Date, (y) any unpaid or unreimbursed business expenses properly incurred through the Retirement Date and timely submitted by the Employee in accordance with the Employment Agreement, and (z) any benefits provided upon a termination of employment under the Company's employee benefit plans (other than any equity or severance plans, programs, or arrangements) in which the Employee participates, in accordance with the terms thereof, or otherwise required by law to be provided to the Employee upon a termination of employment (collectively, the "Accrued Benefits"). In addition, Employee shall be paid for any accrued but unused vacation/paid time off up to a maximum of two weeks and the Employee shall be permitted to retain his cell phone.

b. Bonus. The Employee shall continue to participate in the Management Incentive Bonus program ("MIB") and remains eligible for an annual bonus for the 2022 plan year. Pursuant to the MIB the target bonus is 60% of the base salary of $370k resulting in a payout at 100% performance level of $220,000. 75% of such target bonus ($166,500) shall be guaranteed and paid out by March 15, 2023 at the same time bonuses are paid to active employees of the Company. For 2022, the Employee's management by objectives portion of the MIB shall be deemed to be 100%. For the avoidance of doubt, if the MIB, based on actual performance pays out greater than a75% performance level, the Employee shall receive the greater amount.

c. Health Benefits. The Employee's group medical, dental, and vision benefits shall end on the Retirement Date. Regardless of whether or not the Employee signs this Agreement, the Employee may elect to continue receiving group medical, dental, and vision insurance pursuant to the federal "COBRA" law, 29 U.S.C. § 1161 et seq. All premium costs shall be paid by the Employee on a monthly basis for as long as, and to the extent that, the Employee remains enrolled in COBRA continuation coverage. Subject to the Employee's timely election of COBRA and payment of the employee portion of the premiums, during the nine-month period post Retirement Date, the Company will pay 70% of such premiums for the Employee family plan.

d. Equity Awards. The Employee acknowledges and agrees that Employee was previously granted 72,738 options to acquire shares of common stock of the Parent pursuant to that certain option award agreement dated April 22, 2021 (the "Option Agreement") and 84,992 options pursuant to an option award agreement dated March 3, 2022 (the "Second Option

Agreement”) and the Employee was granted 830,929 shares of restricted stock of the Parent pursuant to that certain restricted stock award dated April 22, 2021 the “Restricted Stock Agreement”). Pursuant to the Option Agreement, 54,554 options are unvested and 84,992 options are unvested pursuant to the Second Option Agreement and all such unvested options under the Option Agreement and Second Option Agreement shall be cancelled in their entirety without payment on the Retirement Date. Pursuant to the Restricted Stock Agreement, 106,606 shares of restricted stock shall vest on June 27, 2022 and 106,606 shares of restricted stock shall vest on December 27, 2022 (the 106,606 shares scheduled to vest on December 27, 2022. the “Additional Vesting”) and Employee agrees that the remaining 426,424 shares of restricted stock shall be forfeited in their entirety on the Resignation Date. Employee acknowledges and agrees that Employee does not have any right to receive any other equity or equity based awards from the Company Group. Exhibit B sets forth a list of Employee’s equity grants and equity ownership.

e. D&O Coverage. Employee shall continue to be covered by the Company’s director and officer insurance coverage through the Retirement Date. The Company maintains D&O coverage in the ordinary course of business and will take no action which adversely limits or excludes Employee from its existing coverage. Such coverage is subject to the terms of the applicable policies.

f. Full Satisfaction. The Employee acknowledges and agrees that, except for the Accrued Benefits, the Employee is not entitled to any further payments from the Company or any member of the Company Group except as set forth in this Agreement. The Employee acknowledges and agrees that he is not entitled to and will not become entitled to any bonus for the 2023 year (which would otherwise be payable in 2024) or any future year. The Employee acknowledges and agrees that notwithstanding anything to the contrary in the Employment Agreement or any other agreement, the Employee shall not be entitled to any severance or separation pay.

3. Release; Continuing Obligations

a. Release. The Retirement Benefits (as defined below) are conditioned solely on (i) the Employee’s execution of a release of claims substantially in the form attached to this Agreement as Exhibit A (the “Release”) on or within twenty one (21) days following the Effective Date and not revoking the Release before expiration of the seven (7) day revocation period described therein, (ii) Employee’s execution and non revocation of a Second Release within 21 days following the Retirement Date and (iii) the Employee’s compliance with the Continuing Obligations and his obligations under this Agreement. The Employee acknowledges that pursuant to this Agreement he is receiving consideration to which he would not otherwise have been entitled but for this Agreement and the Release. The Employee further acknowledges that if he breaches the Continuing Obligations or his obligations under this Agreement including the Second Release, the Retirement Benefits shall cease and Employee shall be required to promptly repay such Retirement Benefits (and the value of any stock which vests as a result of the Additional Vesting), in addition to any other rights that the Company or Parent may have in law or in equity. Retirement Benefits means the Additional Vesting.

b. Second Release. On or within twenty one days following the Retirement Date, as a further condition to the receipt and retention of the Retirement Benefits Employee agrees that he will execute and deliver a second release and waiver of claims, which will be substantially in the sane form as the Release (except that the release of claims will be through and as of the Retirement Date and will become final and binding upon the expiration of the seven day revocation period after the Retirement Date, such date, the "Final Release Date"), to the Company. For the avoidance of doubt, if Employee does not deliver the second release and waiver of claims by the Final Release Date or revokes such release and waiver of claims by the Final Release Date, then Employee shall not receive the Retirement Benefits and to the extent the Employee has already received such Retirement Benefits, the Employee will promptly repay such amounts to the Company (including the value of any stock as a result of the Additional Vesting). The Company acknowledges and agrees that it will comply with its obligations under this Agreement.

c. Continuing Obligations (including noncompete, nonsolicit and nondisparagement). The Employee agrees to abide by the terms of all of the covenants and other provisions set forth in the Employment Agreement or any other agreement between the Employee and any member of the Company Group that by their terms survive the termination of the Employee's employment, including, without limitation, those set forth in (w) Sections 9, 14 through 17 and Section 19 of the Employment Agreement, (x) Section 9 and Exhibit A of the Option Agreement and Second Option Agreement and (y) Section 8 and Exhibit A of the Restricted Stock Agreement, which covenants are incorporated herein and made a part hereof. The Employee's continuing obligations described in this Section 3b are referred to collectively herein as the "Continuing Obligations." The Company agrees to instruct its senior officers and directors not to disparage the Employee.

d. Cooperation. Subject to the terms of this Agreement, in the event that any action, suit, claim, hearing, proceeding, arbitration, mediation, audit, assessment, inquiry or investigation (whether civil, criminal, administrative or otherwise) (each, a "Proceeding") is commenced by any governmental authority or other person or entity in connection with any member of the Company Group, during the three year period after the Retirement Date, Employee agrees to cooperate in good faith with Company Group to defend against such Proceeding and, if an injunction or other order is issued in any such Proceeding, to cooperate in good faith with the Company Group in its efforts to have such injunction or other order lifted. Such cooperation shall include, but not be limited to, attending any telephone or in-person meetings, conferences, interviews, depositions, hearings, proceedings or preparation sessions, and providing access to any relevant books and records in Employee's control, in each case, as reasonably requested by Company Group or any of their respective representatives. The Company shall reimburse Employee for all reasonable out of pocket expenses in connection with such requests for cooperation.

e. Trade Secrets; Confidential Information. Notwithstanding anything to the contrary contained herein or in the Employment Agreement, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Employee may disclose the Company's trade secrets to the Employee's attorney and use the trade secret information in the court proceeding if the Employee: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. Notwithstanding anything to the contrary contained herein, nothing in this Agreement nor the Employment Agreement nor the Release shall prohibit the Employee from reporting possible violations of federal law or regulation to or otherwise cooperating with or providing information requested by any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Employee does not need the prior authorization of the Company or any other member of the Company Group to make any such reports or disclosures and the Employee is not required to notify the Company or any other member of the Company Group that the Employee has made such reports or disclosures.

4. <u>Miscellaneous</u>

a. <u>Modification</u>. This Agreement may not be modified or amended, nor may any rights under it be waived, except in a writing signed and agreed to by the Parties.

b. <u>Notices</u>. Any notice given pursuant to this Agreement to any party hereto shall be deemed to have been duly given when mailed by registered or certified mail, return receipt requested, or by overnight courier, or when hand delivered as follows:

If to the Company Group:

Latham Pool Products, Inc.
Attention: Melissa Feck
787 Watervliet Shaker Road
Latham, NY 12119
Email: melissafeck@lathampool.com

with a copy (which shall not constitute notice):

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Angelo Bonvino, Esq.
Email: abonvino@paulweiss.com

If sent to the Employee, to the last known address as updated on the Company's records.

c. <u>Successors</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, and assigns.

d. Taxes. The Company or any member of the Company Group, as applicable, may withhold from all amounts payable under this Agreement all federal, state, local, and foreign taxes that are required to be withheld pursuant to any applicable laws and regulations.

e. Section 409A. The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), will be compliant with or exempt from Section 409A. Notwithstanding the foregoing, the Company shall have no obligation to indemnify or otherwise hold the Employee (or any beneficiary) harmless from any or all of such taxes or penalties. For purposes of Section 409A, each of the payments that may be made under this Agreement are designated as separate payments.

f. Severability. In the event that any provision of this Agreement is determined to be invalid or unenforceable, the remaining terms and conditions of this Agreement shall be unaffected and shall remain in full force and effect. In addition, if any provision is determined to be invalid or unenforceable due to its duration and/or scope, the duration and/or scope of such provision, as the case may be, shall be reduced, such reduction shall be to the smallest extent necessary to comply with applicable law, and such provision shall be enforceable, in its reduced form, to the fullest extent permitted by applicable law.

g. Non-Admission. Nothing contained in this Agreement shall be deemed or construed as an admission of wrongdoing or liability on the part of the Employee or on the part of any member of the Company Group.

h. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware without giving effect to any principle of conflict of laws that would require the application of the law of any other jurisdiction.

i. Venue and Forum; Waiver of Jury Trial. Each Party irrevocably agrees for the exclusive benefit of the other that any and all suits, actions, and proceedings relating to this Agreement (each, a "Proceeding") shall be maintained in either the courts of the State of Delaware or the federal District Courts sitting in Wilmington, Delaware (collectively, the "Chosen Courts"), and that the Chosen Courts shall have exclusive jurisdiction to hear, determine, and settle any Proceeding. Proceedings shall be brought only in the Chosen Courts. Each Party irrevocably waives any objection that he or it may have now or hereafter to the laying of the venue of any Proceeding in the Chosen Courts and any claim that any Proceeding has been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceeding brought in the Chosen Courts shall be conclusive and binding upon him or it and may be enforced in the courts of any other jurisdiction. Each of the Parties hereto irrevocably and unconditionally agrees that (i) to the extent that such party is not otherwise subject to service of process in the State of Delaware, he or it will appoint (and maintain an agreement with respect to) an agent in the State of Delaware as such party's agent for acceptance of legal process and notify the other parties hereto of the name and address of said agent, (ii) service of process may also be made on such party by prepaid certified mail with a validated proof of mailing receipt constituting evidence of valid service sent to such party at the address set forth in this Agreement, as such address may be changed from time to time pursuant hereto, and (iii) service made pursuant to clause (i) or (ii) above shall, to the fullest extent permitted by applicable law, have the same legal force and effect as if served upon such party personally within the State of Delaware.

j. Counterparts. This Agreement may be executed by one or more of the Parties hereto on any number of separate counterparts and all such counterparts shall be deemed to be one and the same instrument. Each Party hereto confirms that any facsimile copy of such party's executed counterpart of this Agreement (or its signature page thereof) shall be deemed to be an executed original thereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date first written above.

LATHAM POOL PRODUCTS, INC.

By: /s/ Scott M. Rajeski
Name: Scott M. Rajeski
Title: President & CEO

EMPLOYEE

/s/ J. Mark Borseth
J. MARK BORSETH

EXHIBIT A

GENERAL RELEASE

EXHIBIT A

Release of Claims

As used in this Release of Claims (this "Release"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, proceedings, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise. Capitalized terms used but not defined in this Release will have the meanings given to them in the Retirement Agreement dated June 12, 2022 by and between Latham Pool Products, Inc. (the "Company"), Latham Group, Inc., ("Parent") and J. Mark Borseth (my "Retirement Agreement").

For and in consideration of the Retirement Benefits, and other good and valuable consideration, I, for and on behalf of myself and my executors, heirs, administrators, representatives, and assigns, hereby agree to release and forever discharge Parent, the Company and each of its direct and indirect subsidiaries, and all of their respective predecessors, successors, and past, current, and future parent entities, affiliates, subsidiary entities, investors, directors, shareholders, members, officers, general or limited partners, employees, attorneys, agents, and representatives, and the employee benefit plans in which I am or have been a participant by virtue of my employment with or service to the Company and or Parent (collectively, the "Company Releasees"), from any and all claims that I have or may have had against the Company Releasees based on any events or circumstances arising or occurring on or prior to the date hereof and arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever my employment by or service to the Company or the termination thereof, including without limitation any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, intentional infliction of emotional distress, whistleblowing, or liability in tort, and claims of any kind that may be brought in any court or administrative agency, and any related claims for attorneys' fees and costs, including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the "ADEA"); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and any similar state or local law. I agree further that this Release may be pleaded as a full defense to any action, suit, arbitration, or other proceeding covered by the terms hereof that is or may be initiated, prosecuted, or maintained by me or my descendants, dependents, heirs, executors, administrators, or assigns. By signing this Release, I acknowledge that I intend to waive and release all rights known or unknown that I may have against the Company Releasees under these and any other laws.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph and that I have not filed any claim against any of the Releasees before any local, state, federal, or foreign agency, court, arbitrator, mediator, arbitration or mediation panel, or other body (each individually a "Proceeding"). I (i) acknowledge that I will not initiate or cause to be initiated on my behalf any Proceeding and will not participate in any Proceeding, in each case, except as required by law; and (ii) waive any right that I may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding, including any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"). Further, I understand that, by executing this Release, I will be limiting the availability of certain remedies that I may have against the Company and limiting also my ability to pursue certain claims against the Company Releasees.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding the generality of the foregoing, I do not release (i) claims to receive my Retirement Benefits in accordance with the terms of the Retirement Agreement or (ii) claims that cannot be waived by law. Further, nothing in this Release shall prevent me from (i) initiating or causing to be initiated on my behalf any claim against the Company before any local, state, or federal agency, court, or other body challenging the validity of the waiver of my claims under the ADEA (but no other portion of such waiver); or (ii) initiating or participating in an investigation or proceeding conducted by the EEOC.

I acknowledge that I have been given at least 21 days in which to consider this Release. I acknowledge further that the Company has advised me to consult with an attorney of my choice before signing this Release, and I have had sufficient time to consider the terms of this Release. I represent and acknowledge that if I execute this Release before 21 days have elapsed, I do so knowingly, voluntarily, and upon the advice and with the approval of my legal counsel (if any), and that I voluntarily waive any remaining consideration period.

I understand that after executing this Release, I have the right to revoke it within seven days after its execution. I understand that this Release will not become effective and enforceable unless the seven-day revocation period passes and I do not revoke the Release in writing. I understand that this Release may not be revoked after the seven-day revocation period has passed. I understand also that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven-day period.

This Release will become effective, irrevocable, and binding on the eighth day after its execution, so long as I have not timely revoked it as set forth above. I understand and acknowledge that I will not be entitled to the Retirement Benefits unless this Release is effective on or before the date that is 30 days following the date of my termination of employment.

I hereby agree to waive any and all claims to re-employment with the Company or any of its affiliates and affirmatively agree not to seek further employment with the Company or any of its affiliates.

The provisions of this Release will be binding upon my heirs, executors, administrators, legal representatives, and assigns. If any provision of this Release will be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision will be of no force or effect. The illegality or unenforceability of such provision, however, will have no effect upon and will not impair the enforceability of any other provision of this Release.

This Release will be governed in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of law. Any dispute or claim arising out of or relating to this Release or claim of breach hereof will be brought exclusively in the Court of Chancery of the State of Delaware, or, if the Court of Chancery refuses to accept jurisdiction, the federal or state courts located in Wilmington, Delaware. By execution of this Release, I am waiving any right to trial by jury in connection with any suit, action, or proceeding under or in connection with this Release.

/s/ J. Mark Borseth
J. Mark Borseth
Date: 6/13/2022

Exhibit B

Type of Equity	Date of Grant	Number granted	Vested as of June 12, 2022	Unvested as of June 12, 2022
Restricted Stock	4.22.21	830,929 shares of restricted stock	191,293	639,636 (a)
Stock Options	4.22.21	72,738	18,184	54,554
Stock Options	3.3.22	84,992	0	84,992

(a) 106,606 shares of restricted stock will vest on June 27, 2022. An additional 106,606 shares of restricted stock shall vest on December 27, 2022 subject to Employee's compliance with his obligations under this Agreement. All other shares of restricted stock shall be forfeited without payment.

All unvested options shall be cancelled without payment.

For clarification, in addition to the equity awards set forth above, Employee currently owns 241,085 shares of vested stock and in connection with the 191,293 shares of vested stock set forth in the first row of the table above, as of June 12, 2022, the Employee owns 432,378 shares of stock. As noted in (a) above, on June 27, 2022, the Employee shall vest in an additional 106,606 shares so his vested total shall be 538,984 and on December 27, 2022, Employee shall vest in an additional 106,606 shares so his vested total shall be 645,590.

The Company will cooperate in good faith and provide reasonable assistance to the Employee in order to ensure that any vested shares are transferred to eTrade, subject to compliance with applicable law.

Exhibit C

During the Transition Period, the Employee shall continue to be paid his current base salary (at an annual rate of $370,000) on a bi weekly basis. During the Transition Period, the Employee shall (i) assist with finance activities for the second and third quarter of 2022, (ii) assist with investor relations and earnings call support with the new CFO and CEO, (iii) provide support to the new CFO (including serving as a mentor) in order to ensure a smooth transition (including providing counsel on historic, strategic and policy issues), (iv) assist in the preparation of forecasting and the 2023 budget planning, (v) attend the board of directors meeting scheduled for August and (v) to perform such other duties and responsibilities as reasonably requested by the CEO and agreed to by the Employee (such agreement not to be unreasonably withheld). The Employee acknowledges and agrees that during the Transition Period Employee may not resign for Good Reason (as defined under the Employment Agreement).

Exhibit 31.1

LATHAM GROUP, INC.

I, Scott M. Rajeski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Latham Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rule 13-a15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2022

/s/ Scott M. Rajeski
Scott M. Rajeski
Chief Executive Officer and President
Latham Group, Inc.

Exhibit 31.2

LATHAM GROUP, INC.

I, Robert L. Masson II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Latham Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rule 13-a15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

August 11, 2022

/s/ Robert L. Masson II

Robert L. Masson II
Chief Financial Officer
Latham Group, Inc.

Exhibit 32.1

LATHAM GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Latham Group, Inc. (the "Company") on Form 10-Q for the period ending July 2, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Rajeski, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2022

/s/ Scott M. Rajeski
Scott M. Rajeski
Chief Executive Officer and President
Latham Group, Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32.2

LATHAM GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Latham Group, Inc. (the "Company") on Form 10-Q for the period ending July 2, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Masson II, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2022

/s/ Robert L. Masson II
Robert L. Masson II
Chief Financial Officer
Latham Group, Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).